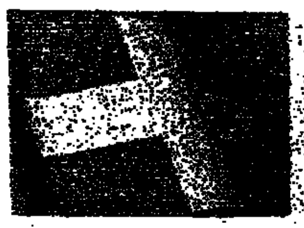
FINANCIAL TIMES



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Swiss cast off the cosy image
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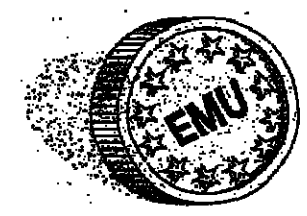

Road to Emu
No free tickets, no discounts
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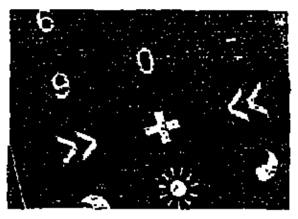

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93092

World Business Newspaper — THURSDAY JUNE 1 1995

Israel outlines differences over Golan timetable

Israel publicly outlined details for the first time of its negotiations with Syria on the timetable for a troop withdrawal from the occupied Golan Heights, raising hopes of serious progress in forthcoming US-brokered talks. Foreign minister Shimon Peres said Israel proposed a four-year timetable for withdrawal from the Heights, but that Syria demanded 18 months. The timetable is a key issue that prime minister Yitzhak Rabin has said must be resolved in the talks. Page 14

Brussels launches single currency plan: The European Commission launched a blueprint for achieving the irreversible shift to a single currency by the end of the century and said a decision on Emu was coming faster than widely appreciated. Page 14; Case for convergence and Editorial Comment, Page 13

Eurotunnel warns bankers: Eurotunnel, Anglo-French operator of the Channel Tunnel, warned its 225 banks that it would press for a cut in interest payments on its £6.8bn ($10.7bn) debt this autumn, ruling out a further rights issue this year. Page 15; Lex, Page 14

China tests mobile-launch missile: China is believed to have test fired a mobile-launch ballistic missile that will provide it with a long-sought nuclear "second strike" capability. Page 14

Kerkorian withdraws Chrysler bid: Kirk Kerkorian's Tracinda Corporation withdrew its controversial $22.8bn offer for motor group Chrysler Corporation, but stressed its 36m Chrysler shares were not for sale. Page 15

Russia renews Nato links: Russia renewed its military ties with Nato but warned they could be broken again if the alliance moved to enlarge its boundaries eastwards. Page 2

BAe renews offer for VSEL: British Aerospace reopened its campaign to buy UK submarine maker VSEL with an offer of 3.3 BAe shares for every VSEL share. The offer values VSEL at £678m ($1.06bn). Page 15; Lex, Page 20

Air France delays orders: Air France said it had agreed with Boeing of the US to postpone delivery of seven aircraft because of the French carrier's financial difficulties. Page 7

US risks 'devastating' trade war: Growing US protectionism and Washington's aggressive use of bilateral trade tactics threaten to unleash a "devastating" world trade war, the president-elect of US economists' leading professional body warns. Page 7

Tokyo's governor calls off Expo: Tokyo governor Yukio Aoshima said he would cancel the Y200bn ($2.3bn) World City Expo planned for next year, causing dismay among Japan's business and political communities. Page 6

Argentina faces revenue shortfall: Argentina's tax revenues for May are likely to fall well short of expectations, the Treasury estimates, fuelling concern that the country may fail to meet 1995 fiscal targets agreed with the International Monetary Fund. Page 5

France to sell off steelmaker: France's new conservative government announced plans to sell Usinor Sacilor, Europe's largest steel producer, within the next few weeks. The company is expected to be valued at about FFr20bn ($4bn). Page 14

Salomon wins role in Telefónica sell-off: The Spanish government appointed US investment bank Salomon Brothers as its financial adviser for the sale of 12 per cent of the equity it owns in domestic telecoms group Telefónica. Page 15

Australian growth eases: Australia's economic growth fell back to 3.7 per cent year-on-year in the quarter to March, with gross domestic product rising by just 0.5 per cent. Page 6

Italian lawyers strike over reform plans: A strike by Italian lawyers over reform plans is threatening to paralyse the country's justice system. Page 2

England, Ireland and Australia win

RUGBY WORLD CUP

England beat Italy 27-20, Ireland beat Japan 50-28 and Australia outscored Canada 27-11 in yesterday's round of rugby world cup matches. Canada must now beat the Springboks to have any chance of advancing to the quarter-finals, while Australia are expected to defeat Romania and go through with South Africa. The award of two penalty tries to the Irish is thought to be the first time this has happened to the same side in a world cup competition. Page 4

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	4,397.36	(+18.68)
NASDAQ Composite	859.19	(+0.49)
Europe and Far East		
CAC40	1,947.95	(+20.65)
DAX	2,092.17	(+4.52)
FT-SE 100	3,319.4	(+8.5)
Nikkei	16,435.7	(-326.18)

US LUNCHTIME RATES

Federal Funds	6 1/16%
3-mth Treas Bills: Yld	5.795%
Long Bond	112 3/32
Yield	6.678%

OTHER RATES

UK: 3-mo Interbank	6 13/16%	(6 13/16%)
UK: 10 yr Gilt	104 3/32	(104 1/4)
France: 10 yr OAT	100.3	(100.26)
Germany: 10 yr Bund	101.59	(101.76)
Japan: 10 yr JGB	113.855	(113.78)

NORTH SEA OIL (Argus)

Brent 15-day (July)	$17.48	(17.37)

GOLD

New York: Comex		
(Aug)	$387.6	(387.9)
London:		
close	$384.15	(384.9)

DOLLAR

New York: lunchtime		
£	1.5885	
DM	1.4115	
FFr	4.957	
SFr	1.168	
Y	84.495	
London:		
£	1.5886	(1.6003)
DM	1.413	(1.3898)
FFr	4.9709	(4.903)
SFr	1.1675	(1.1455)
Y	84.645	(83.015)

STERLING

DM	2.2447	(2.2241)
Tokyo close:	Y 83.25	

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr70	Hungary	Ft185	Neth	Fl 4.25	Singapore	S$4.30
Bulgaria	Lev110.00	Iceland	IKr220	Nigeria	Naira90	Slovak Rp	KSL60
Cyprus	CC1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00
Czech Rp	CZK55	Israel	Shk7.90	Oman	OR1.50	Spain	Pta225
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17
Egypt	E£5.00	Japan	Y580	Philippines	Pso60	Switz	SFr3.60
Estonia	EKr 20	Jordan	JD1.50	Poland	Zl 42,000	Syria	S£50.00
Finland	FM15	Kuwait	Fils.625	Portugal (mainland)	Es230	Tunisia	Din1.500
France	FFr10.60	Lebanon	US$1.50			Turkey	L55,000
Germany	DM3.80	Lux	LFr70			UAE	Dh12.00

Central banks drive dollar sharply higher

By Philip Gawith in London and Michael Prowse in Washington

Central banks yesterday scored a rare victory over currency traders when an unexpected wave of support drove the dollar sharply higher on the foreign exchanges.

The US currency was in danger of slipping below key support levels when the Federal Reserve, Bundesbank, Bank of Japan and 10 other central banks started buying dollars soon after trading opened in New York.

The market was taken by surprise and the US currency rallied as traders who were short of dollars scrambled to buy it. The dollar gained around 3 pfennigs and 2 yen after the intervention to close in London at DM1.413 and Y84.645.

Mr Robert Rubin, US Treasury secretary, said the intervention was consistent with the communique issued on April 25 by central bank governors and finance ministers from the Group of Seven industrialised countries. They agreed "to strengthen their efforts in reducing the internal and external imbalances and to continue to co-operate closely in exchange markets".

Analysts believe the Treasury was seeking to reinforce the recent rally of the dollar, which showed signs of foundering last week amid concerns over economic slowdown in the US and the trade dispute with Japan.

The intervention coincided with the release of data confirming earlier signs that US economic growth is slowing down. The Commerce Department said gross domestic product grew at an annualised rate of 2.7 per cent in the first quarter, rather than 2.8 per cent as previously reported. That compared with growth of 5.1 per cent in the final period of last year.

Data from Chicago purchasing managers and housing markets meanwhile, reinforced speculation that growth slowed even more sharply in the second quarter.

The Chicago index of business activity fell to 53.5 per cent in May against 57.6 per cent in April, suggesting that the national index, out today, may be weak.

Sales of new homes fell 2.7 per cent in April to a seasonally adjusted annual rate of 580,000, 13.7 per cent below the level in the same period last year. The inventory of unsold homes rose to its highest level in five years.

"The economy will slow to a virtual stall in the current quarter," said Mr Richard Berner, chief economist at Mellon Bank in Pittsburgh. But he said it was "not a prelude for contraction". Growth was likely to rebound in the second half as consumer demand revived.

The first quarter GDP figures were seen as mildly encouraging because they indicated growth was that better balanced than previously estimated.

Lex, Page 14: Currencies, Page 27

President signals policy shift

Clinton may send troops to help UN in Bosnia

By Our UK Political and Foreign Staffs

President Bill Clinton moved closer yesterday to committing US ground forces in Bosnia in a significant policy shift to help United Nations peacekeeping forces regroup into safer territory.

In a speech to the graduating class of the US Air Force Academy, he said: "We cannot leave our Nato allies in the lurch." He said he was considering "the temporary use" of US troops to evacuate or reorganise UN detachments in Bosnia.

But he made clear that even a Nato request for assistance would be subject to "careful review", including consultation with Congress.

At the same time Mr Boutros Boutros Ghali, UN secretary-general, called for the UN force in Bosnia to be scaled down and its mandate reduced so it would only carry out tasks it can realistically achieve.

In Britain's House of Commons, which was recalled from recess to debate the crisis, Mr John Major, the prime minister, said the more than 6,000 extra UK troops being sent to Bosnia would be attached to Unprofor, the UN protection force under the command of General Rupert Smith.

Meanwhile, in the House of Lords, Lord Owen announced he was standing down as the European Union's peace negotiator in former Yugoslavia, and warned that UN forces might be forced to leave unless a lasting peace could be negotiated quickly.

"I do not believe this humanitarian intervention can be extended through a fourth winter and, if there is not a peace settlement by the autumn of this year, then the UN forces, I fear, will be forced to leave," he said.

US forces, which could be used to protect UN peacekeepers withdrawing from outlying areas towards central Bosnia could comprise up to 2,000 marines, according to Mr William Perry, the US defence secretary. Mr Perry ruled out an early resumption of air strikes, agreeing it made "no tactical sense to go forward with air strikes in the immediate future".

However, the use of US troops in an operation short of

Continued on Page 14

Clinton pledge on troops, Page 2, Major dismisses criticism, Page 8; Editorial Comment, Page 13

British troops prepare a field gun for transport to Bosnia. The men are part of a Nato force being sent to support UN peacekeepers Picture: EPA

Early talks likely in US-Japan car dispute

By Frances Williams in Geneva

The US yesterday indicated it would bow to Japan's demand for early bilateral talks in Geneva over Washington's threat to impose punitive tariffs on $5.9bn of Japanese luxury car imports.

The dispute over US access to the Japanese car and car parts market was also given a fresh twist when the EU announced it wanted to take part in the talks, to be held under the auspices of the World Trade Organisation. Japan says it would welcome third party participation but trade officials in Geneva expect Washington to oppose the proposal.

Although the date and venue have yet to be agreed, the two sides are expected to meet in Geneva before June 16.

Earlier this week Japan rejected US proposals to meet on June 20 in Washington. The trade sanctions are due to take effect on June 28.

Mr Andrew Stoler, deputy US ambassador to the WTO, told the organisation's dispute settlement body that the US would shortly propose another date and had "noted" Japan's wish to hold talks in Geneva.

At the same time, the US strongly disagreed with Japan's contention that the case should be treated as "urgent" under WTO procedures. Even under normal WTO rules, however, the US is supposed to begin bilateral consultations by June 16, 30 days after Japan's request on May 17.

In a letter sent on Tuesday to Mr Mickey Kantor, US trade representative, Mr Ryutaro Hashimoto, Japan's trade minister, said Tokyo reserved the right to ask for a WTO panel to rule on the US sanctions threat if Washington failed to comply with the WTO deadline.

Mr Hisashi Hosokawa, head of Miti's international trade policy bureau, yesterday said the tariff threat had already cost Japanese car manufacturers Y9.2bn ($108m).

Mr Jean-Pierre Leng, the EU's WTO ambassador, said later that the EU request to take part in the US-Japan talks was motivated by its "deep concern" over

Continued on Page 14

Gazprom meeting has hint of Communist party spirit

By Chrystia Freeland in Moscow

The first annual meeting yesterday of Gazprom, Russia's largest company, was more like a Communist party congress than a celebration of the coming of capitalism. The hands went up in unison, and only one question was asked about executive pay.

The shareholders – most of them Gazprom employees with an eye on keeping their jobs – were enthusiastic in supporting 11 motions proposed by the gas company's chairman, Mr Rem Viakherev. His first name is an acronym for Revolution Engels Marx.

Mr Viakherev shrugged off concerns about his salary. "Don't worry, it's not too much," he said, declining to name a figure. "It's not enough to let me lie on a beach in Miami instead of sweating in this hot hall."

He repaid shareholder loyalty, suggesting "people matter more than profits" and insisting his top priority was ensuring that all employees enjoy a company-sponsored summer holiday.

The meeting opened with a congratulatory telegram from Mr Victor Chernomyrdin, Russian prime minister and Gazprom's former president who acts as its patron in the cabinet. Mr Chernomyrdin has long been rumoured to be a Gazprom shareholder himself, though the company said yesterday that such allegations were "slanderous".

Each of yesterday's 262 voting delegates has a tiny stake through a part privatisation two years ago. Like Communist party delegates, they were representing comrades who had pooled their shares to reach the voting threshold of 8m and send a spokesperson to Moscow.

A few rebels raised objections to the restrictions which prevent the sale of Gazprom shares without the approval of Gazprom management. But Mr Viakherev, whose single vote controls the government's 40 per cent stake and the company's own 10 per cent holding, easily saw off the challenge.

"Those who want to buy shares quickly and cheaply do not like our policies," Mr Viakherev said. "But those who want to defend the interests of real Russians, of normal Russians, they think our policies are good."

Mr Viakherev, who is fond of the slogan that "What is good for Gazprom is good for Russia", also used the meeting to further his view that mass privatisation is harmful if it means the inexpensive sale of assets to foreigners.

Describing Gazprom as Russia's "family jewels", Mr Viakherev said that "we are not rushing to sell, although this does not please all of our investors". He insisted Gazprom, which has said it will try to place a 9 per cent stake abroad, did not want to sell at below $25-$30 per share even though, in very restricted domestic trading, shares were now selling at about 15 cents.

Top executives of British Gas came in for tough questioning yesterday when shareholders attending the privatised utility's annual meeting in London showed their anger at the 71 per cent pay rise given to chief executive Cedric Brown. There was also disruption at Elf Aquitaine's meeting in Paris as trade unionists expressed fears about possible job cuts.

Elf Aquitaine first-half increase, Page 16; Pig fares better than Brown, Page 20

CONTENTS

Relaunch of relationship comes with a warning from Moscow

Russia back on track with Nato

By Bruce Clark in Noordwijk, Netherlands

All smiles: Mr Andrei Kozyrev, Russia's foreign minister (left), and Nato secretary-general Willy Claes at the start of yesterday's meeting in Noordwijk AP

Russia yesterday relaunched its military relationship with Nato but warned that it could be frozen again if the alliance moves quickly to enlarge its boundaries eastwards.

The warming of Moscow's ties with the alliance, which had been frozen for six months after a row over enlargement, coincides with closer co-operation between Russia and the west over Bosnia.

However, President Boris Yeltsin yesterday sought to apply the brakes on any increase in outside military involvement in Bosnia by questioning the feasibility of decisive intervention. He said he did not believe any military action could help release the UN peacekeepers who have been held hostage by Bosnian Serbs.

Mr Yeltsin's warning came shortly after a meeting of the US, Canada and 40 European and former Soviet states in the Netherlands, where the Russian-western climate appeared to be improving. Mr Andrei Kozyrev, the Russian foreign minister, said his country would resume co-operation with Nato under the Partnership for Peace (PFP).

Some 26 neutral and ex-communist countries have already joined the PFP, under which Nato has offered to share military expertise in areas such as peacekeeping, disaster relief, procurement procedures and defence planning. In practice Russia is thought unlikely to need much western assistance in these areas but its entry into the PFP is seen as a token of goodwill.

At a closed-door meeting, Mr Kozyrev also gave the green light for the resumption of a Russia-Nato dialogue which has been described by both sides as the first step towards a formal relationship.

Western powers have mooted the idea of a formal treaty or consultation mechanism with Russia in the hope of softening Moscow's objection to the incorporation by Nato of former Warsaw Pact nations.

Mr Kozyrev made it clear yesterday that he expected early progress on the special Russia-Nato relationship while continuing to reserve his position on enlargement.

He told fellow ministers that enlargement does not "meet the interests of Russian national security or the interests of European security as a whole".

Any hasty moves towards expansion may "threaten the establishment of advantageous relations" between Russia and Nato and cast doubt on the usefulness of Russia's involvement in the PFP.

Nato officials insisted that there was no question of negotiating with Russia the issue of expansion to include countries such as Poland, Hungary and the Czech Republic.

In practice, however, all talk of naming candidates and timetables by the end of this year has been quietly dropped.

Mr Douglas Hurd, the UK foreign secretary, said it was significant that closer Russian-western co-operation on former Yugoslavia had preceded a warming up of the formal relationship.

"Reality is always ahead of theory," he said.

The need to avoid offending Russia is one of the problems confronting western officials as they consider the mechanisms for reinforcing, and possibly withdrawing the United Nations force in Bosnia.

Russia agreed with the US, Britain, France and Germany – its partners in the Contact Group – earlier this week on the need to enhance the rapid reaction capacity of the UN force.

But any move to give these forces a Nato designation would be highly provocative to Russia, although it is understood that Nato is the only organisation powerful enough to organise a full-scale evacuation if that becomes necessary.

GENERAL'S OFFER TO RESIGN PUTS YELTSIN ON THE SPOT

By Chrystia Freeland in Moscow

Russia's most controversial general yesterday raised the stakes in his long-running conflict with the Kremlin by offering to resign in protest over plans to reorganise his forces.

General Alexander Lebed, charismatic commander of the Russian 14th Army in Moldova and tipped as a "law and order" presidential candidate, is fiercely opposed to plans to downgrade his force and withdraw it from Moldova over the next three years.

The defence ministry has promised Moldova to pull out the 14th Army and is also reluctant to serve as an intermediary in the four-year conflict between Moldova and Russian-speaking separatists in Trans Dnestr, where the army is based.

By tendering his resignation, the general has forced President Boris Yeltsin into a tricky game of political brinkmanship. Although Gen Lebed's outspoken criticism of the president must often inspire the latter to wonder who will rid him of his turbulent general, accepting his resignation would be a dangerous choice.

If Mr Yeltsin allows Gen Lebed to leave the 14th Army under protest, he could transform the maverick soldier into a martyr in the eyes of Russian nationalists, who support his defence of the Russian minority in Moldova.

Released from military discipline, Gen Lebed, who has already begun to frequent nationalist political gatherings, would be free to capitalise on this image and could emerge as a dangerous rival for the presidency in elections scheduled for next June.

However, not to accept Gen Lebed's resignation could be seen as condoning the general's overt opposition to Moscow's plans for the 14th Army. The authority of the defence ministry would likely be further undermined.

Moreover, after having effectively dared the Kremlin to sack him, the general is unlikely to comply with Moscow's orders to reorganise and effectively downgrade his force. He is also unlikely to allow the army to be withdrawn, diminishing Moscow's reputation in its dealings with other former Soviet republics because it would violate an agreement between Russia and Moldova.

Last summer, Gen Lebed successfully resisted Moscow's orders moving him to another, less powerful, posting. Paradoxically, his ability to ignore the commands of his superiors has enhanced his political reputation among those Russians craving a strong ruler.

In a rebuff to the president, the Russian parliament earlier this year passed a non-binding resolution backing Gen Lebed, and in March, local residents overwhelming supported a referendum asking the 14th Army to remain in place.

Clinton pledge on role of troops in Bosnia

By Jurek Martin in Washington

The Clinton administration, its Bosnian policies again under heavy domestic fire, is continuing to insist that no US forces will be deployed on the ground except to help evacuate United Nations missions from positions of grave danger.

President Bill Clinton himself, in his first public comment since last Friday, said in a speech yesterday that "if necessary and after consultation with Congress, we should be prepared to assist Nato if it decides to meet a UN request for help in a withdrawal or in a re-configuration of its forces".

In a television interview, Mr William Perry, the defence secretary, appeared to exclude any mission to rescue UN soldiers now held hostage by the Bosnian Serbs, a possibility mentioned by other US officials over the past 72 hours.

"The one contingency," he said, "is where we send our forces in as part of a Nato operation in order to extract UN forces that are in danger from the position in which they are in danger. That was the commitment the president made."

As a hypothetical case, he said the UN commander in the Srebrenica enclave might decide that his position was untenable and that "he can't just march them [UN troops] out because of the danger to them".

About 2,000 US marines would be available to assist in such an evacuation.

Mr Perry refused to rule out future UN bombing of Bosnian Serb positions but agreed that "it makes no tactical sense to go forward with air strikes in the immediate future".

He stoutly defended their use last week, arguing that their purpose had been to stop the shelling of the Bosnian capital, Sarajevo, and that the risks to UN personnel had been taken account of in advance.

Although the congressional recess has spared the administration a full frontal political assault on its policies in Bosnia, it has been subject to unsparing criticism by foreign policy experts and in the media.

Typical was a Washington Post editorial which said "the new factor in the Bosnian equation is the utter public humiliation of the US". A report in the same newspaper described the US push for air strikes as "a military, diplomatic and public relations fiasco".

The New York Times at least thought the administration was right to continue to resist sending in US troops, except to rescue UN detachments. But Mr Lawrence Eagleburger, the last Republican secretary of state, said: "If we're going to get tough, then get tough, by which I mean some very serious bombing that tells the Serbs this is not going to go on any longer."

Senator Robert Dole, the majority leader, thought a case could be made for evacuation missions, as did Mr Pat Buchanan, the most conservative of all the Republican presidential candidates.

Mr Dole still plans to introduce legislation ending the arms embargo on Bosnia while a debate in the House of Representatives next week on the War Powers Act may also seek to place new limits on the president's abilities to deploy troops in combat circumstances.

Senator Jesse Helms of North Carolina, chairman of the foreign relations committee, once again suggested Mr Clinton was unqualified to be commander-in-chief and said he hoped the president "won't shoot from the hip".

Fazio warns that benefits of strong economic recovery may be undermined

Italy's bank chief fearful on inflation

By Robert Graham in Rome

Mr Antonio Fazio, the governor of the Bank of Italy, yesterday warned that inflationary pressures risked undermining the benefits of Italy's strong economic recovery.

Choosing the solemn occasion of the governor's annual economic statement, Mr Fazio said three requisites were essential for bringing Italy's inflation back under control: orderly evolution of domestic demand; restraint by companies in passing prices on to the consumer; and continued moderation in wages.

Preliminary figures for May showed annual inflation was running at 5.5 per cent, the highest level since 1992; while producer prices for the first quarter were averaging more than 7 per cent. Last Friday the Bank of Italy felt obliged to raise the discount rate by 0.75 percentage points to 9 per cent to head off rising inflationary pressures. Mr Fazio said the bank acted because of the market view "that the worsening of inflation could continue into the months ahead".

In the light of this move he believed the tendency could be inverted by "the end of the summer" and core inflation at year-end could be 4.5 per cent. But he also made it clear he would not hesitate to raise interest rates if necessary.

Less than a month ago both the government and officials inside the bank hoped inflationary pressures would level off around July. Mr Fazio yesterday put less emphasis on the weak lira as the cause of inflation and chose instead to focus on the way companies had been passing increased costs (especially imported raw materials) directly to the consumer. In this context he called on companies to avoid excessive profit margins. Another main theme of Mr Fazio's comments was the battle by successive governments to improve Italy's public finances.

He was critical of the failures of the previous government of Mr Silvio Berlusconi but gave endorsement to the tougher line pursued by the present government of prime minister Lamberto Dini.

However, he made no bones about the shortcomings of the pensions reform agreement struck last month with the unions. "The transition period (from the old to the new system) is too gradual," he said.

The most interesting omission in Mr Fazio's speech was any substantial reference to Europe. In recent days the government has raised the prospect of Italy rejoining the European exchange rate mechanism. But the governor ignored this topic completely despite the fact high-level contacts are going on with Italy's main EU partners about a possible re-entry.

Striking Italian lawyers press their case

By Andrew Hill in Milan

A strike by Italian lawyers is threatening to paralyse the country's justice system, which is already close to overload with a backlog of nearly 3m cases.

Lawyers decided in April to boycott administrative, civil and criminal courts. But in the past week they have decided to prolong their action until June 24, hitting higher-profile cases. Their aim is to change plans for reform of the judicial system, which are in part designed to meet the backlog of case work.

Today they will meet Mr Filippo Mancuso, the justice minister, to discuss their demands. In the meantime, however, Italian prosecuting magistrates have fiercely criticised the lawyers for playing into the hands of the corrupt and the criminal. Other opponents claim that the lawyers are simply trying to protect their own interests in keeping Italian court cases running for as long as possible. More than a decade can elapse between crime and sentence in Italy.

A vocal minority of lawyers is against the strikes. But this week the action has begun to take its toll on several high-profile court hearings.

On Monday, a series of trials involving illustrious defendants such as Mr Bettino Craxi, former Socialist prime minister, Mr Francesco De Lorenzo, former health minister, and Mr Gianni De Michelis, former foreign minister, were postponed pending a resolution of the dispute.

Newspapers reported yesterday that Mr Silvio Berlusconi's lawyers had decided to join the strike. That means Milan magistrates will be unable to question the media magnate and former Italian prime minister tomorrow about corruption allegations as they had originally planned.

The lawyers are complaining about a series of issues, including proposals to introduce "justices of the peace" (JPs) into the Italian justice system, to hear certain cases. Civil lawyers claim that the new JPs will be poorly qualified to handle complex legal cases. They also fear that a backlog of some 2.8m unheard cases will not be reduced by reforms.

Criminal defence lawyers are protesting about what they claim is the imbalance between rights of defence and prosecution, and in particular about the use by magistrates of preventive custody for witnesses. The power of investigating magistrates has increased in the past three years as they have broken open corruption scandals.

The threat of jail or public exposure has been one of the weapons used to persuade witnesses to talk, and led to a damaging row last year when Mr Berlusconi's government tried to clamp down on the practice. The government eventually had to retreat after protests from the popular Milanese anti-corruption magistrates.

Mr Gaetano Pecorella, head of the Italian criminal lawyers, said earlier this week that defence lawyers had made a mistake in co-operating too much with magistrates prepared to do deals with their clients.

"Why pay a lawyer if all they have to do is fix an appointment with the judge?" he asked.

Rising Spanish star wins his chance to shine

David White profiles the centre-right politician who is on course to become the first non-Socialist president of the Madrid region

Since his mid-20s Mr Alberto Ruiz-Gallardón has been marked out for the forefront of Spanish public life. Regarded by many as the brightest of a new generation of centre-right politicians, he finally won his spurs this week at 36.

At his third attempt, Mr Ruiz-Gallardón is set to become the first non-Socialist president of the Madrid region after last Sunday's regional elections. His victory, which owes a lot to personal appeal, consecrates him as a potential leader of the Popular party, the national opposition headed by Mr José María Aznar, just six years his senior.

Four years ago only a Socialist-Communist pact deprived Mr Ruiz-Gallardón of the Madrid presidency. This time, the PP won the majority, gaining as many seats as the combined forces of the left had before, and ousting one of the senior moderates of the Socialist party, Mr Joaquín Leguina.

Mr Leguina had headed the regional government since it was set up in 1983 under plans to apply devolution not just to "historic nationalities", such as Basques and Catalans, but throughout the country, including regions which had no obvious vocation for self-rule, such as Madrid.

The Spanish capital itself had already switched allegiance to the PP, which reinforced its hold on the city council on Sunday. But to take the region, with its 5m people, required big inroads into the "red belt" south of the city, long regarded as a captive vote for the left.

Mr Ruiz-Gallardón has a strong populist streak, although his tone is measured and unaggressive – contrasting with the stridency of some of his PP colleagues. His campaign included a four-year "crash programme" to create 200,000 jobs at a cost of Pta400bn ($3.3bn), most of which would have to come from central government; legalisation of brothels; and a pledge to "throw the speculators out of Madrid".

More in line with overall party policy, he proposes to slash the number of civil servants and privatise everything except the region's water and metro companies.

After 12 years in politics, Mr Ruiz-Gallardón, a devoted music-lover and keen motorcyclist, has not shaken off his youthful, precocious image. He has something of the diligent school pupil about him.

His father was a distinguished lawyer who was imprisoned under Franco. His wife is the daughter of a prominent Falangist and Franco minister. A teenager during Spain's transition to democracy, Mr Ruiz-Gallardón enjoys an untainted reputation.

He qualified as a prosecutor at just 23, and rose swiftly in the party under its former head, Mr Manuel Fraga, holding a series of senior posts, most recently party leader in the Spanish senate.

Meanwhile, Mr Leguina, 54, a part-time novelist, announced this week he was withdrawing from politics. "I am not going resentfully," he said. "I am just going to do something else."

EUROPEAN NEWS DIGEST

German delay on Eurofighter

The German parliament yesterday postponed a decision to commit extra funds to the development of Eurofighter 2000, the four-nation European fighter aircraft, delaying the project's move into the production phase.

Objections by the Free Democratic Party, the junior partner in Chancellor Helmut Kohl's ruling coalition, to the cost of the £32bn project meant that a decision by the parliament's budget committee was postponed, possibly for up to three weeks. Ministers had hoped that the parliament would vote through an extra DM531m ($385m) for the project to settle a dispute between Daimler-Benz Aerospace and the German government so that a Memorandum of Understanding cementing the development phase of Eurofighter could be signed at the Paris Air Show in early June.

That is now highly unlikely, and as an added blow the aircraft is highly unlikely to fly at the air show. Eurofighter has restarted its flight test programme, but will not have a full flight programme ready in time.

The further delay will come as an irritation to the other three partners in the project who have been waiting to sign the document for months. The delays have arisen because the defence ministry and German industry could not agree about how much money had been spent by whom to redesign the aircraft after Mr Volker Rühe, the German defence minister, demanded that the Eurofighter cost less. *Michael Lindemann, Bonn and Bernard Gray, London.*

EBRD trebles its investments

The European Bank for Reconstruction and Development (EBRD) more than trebled its investment commitments in eastern Europe and the former Soviet Union in the first quarter of this year to Ecu286m ($383m) from Ecu93m in the corresponding period a year ago.

The funds paid out in the first three months also rose substantially to Ecu247m from Ecu73m a year ago, according to the bank's interim results released yesterday. Mr Bart le Blanc, EBRD finance vice-president, said that first quarter equity investments had increased markedly to Ecu78m from only Ecu5m a year ago, as the bank seeks to increase its operations in the private sector.

The bank made an operating profit before provisions in the first quarter of Ecu7.4m compared with Ecu2.9m in the corresponding period a year ago. Provisions for losses on loans, advances and share investments have jumped to Ecu12.2m from Ecu1.7m a year ago, which forced the bank into a net loss of Ecu4.8m compared with a marginal loss of Ecu66,000 a year ago. *Kevin Done, London.*

Russian earthquake aid dispute

President Boris Yeltsin yesterday yesterday ruffled diplomatic feathers with the Japanese by implicitly accusing them of exploiting their offers of aid to the earthquake victims of Sakhalin to strengthen their hand in negotiations over the disputed Kurile islands.

Speaking to reporters outside Moscow, Mr Yeltsin said Russia did not need foreign assistance. "We can do it ourselves, without foreign aid, because they [foreign donors] will later try to bargain over their participation. The Japanese might say 'give us back the islands'," Mr Yeltsin said.

Russian soldiers stacking coffins for earthquake victims yesterday in the devastated oil town of Neftegorsk

The reference appeared to be to the Kurile islands, which were seized from Japan by Soviet forces at the end of the second world war and have been a source of diplomatic friction ever since.

Political observers suggested Mr Yeltsin's comments were perhaps no more than off-the-cuff remarks designed to pander to Russian nationalist sentiments but would nonetheless offend Japanese sensibilities. Earlier this week, Mr Yeltsin had publicly thanked foreign governments for their speedy offers of help and Mr Oleg Soskovets, the first deputy prime minister, yesterday met the Japanese ambassador to Russia to discuss ways of minimising earthquake damage in the region in future. *John Thornhill, Moscow.*

Crimea cancels autonomy vote

Crimea yesterday complied with a stern ultimatum issued by Ukrainian authorities last week and cancelled a referendum on regional autonomy.

The June 25 vote was called in late April by the peninsula's pro-Russian parliament to try to reinstate the Crimean constitution and presidency. Both were abolished by Ukraine in March in an effort to snuff out separatist sentiment on the predominantly Russian peninsula.

Crimea's capitulation yesterday reinforces the belief held by western diplomats in Ukraine that local politicians have lost the momentum to reforge closer links with Russia and Kiev has gained stronger control over the volatile peninsula. The local parliament is now working on a new constitution that keeps the Ukrainian region autonomous, but presumably in diluted form. *Matthew Kaminski, Kiev.*

Van Miert mobile phone plan

EU competition commissioner Mr Karel Van Miert has said he is on the point of submitting his proposals on extensive deregulation of the mobile communications market to the Commission.

"My department and myself are ready. I think it's a matter of weeks now before it can be put on the agenda of the Commission," he said at the annual conference of the European Cable Communications Association in Zurich.

To ensure that action is taken, the commissioner wants to take the still unusual step of producing his directive under Article 90 rules which means that it does not have to go to the Council of Ministers for approval. Mr Van Miert said he wanted those developing mobile services to be able to use their own infrastructure "or at least be able to use alternative infrastructure". The possible alternatives range from networks that could be supplied by electricity companies or the railways. *Raymond Snoddy, London.*

Move to block Iberia aid

Spain's privately-owned airlines will attempt to block the case for a fresh injection of Pta130bn ($1.06bn) of state aid in Iberia, the national carrier, the Spanish airline association AECA said yesterday.

"We decided yesterday to fight Iberia's case and will do so through IACA [the International Air Charter Association]," said AECA president Mr Felipe Navio. "It's a judicial action. We have until June 6 to present it," he said at a seminar on the airline industry. Iberia's competitors are critical of its restructuring plan which they say will not leave it in a position to compete in an increasingly liberalised market. "We suggest reducing the size of the airline, while Iberia is doing just the opposite by swallowing its Viva subsidiary," Mr Navio said. *Reuter, Palma de Mallorca*

Brussels blueprint for single currency

By Lionel Barber

The European Commission's blueprint on the introduction of a single currency adopts a gradualist approach, arguing that intensive planning and publicity campaigns are needed to make monetary union work.

But the Commission remains confident that an unspecified number of countries in the 15-member European Union will move to a single currency on January 1 1999. The introduction of Euro-notes and coins will follow a maximum three years later.

In a 74-page document, the Commission warns there are big risks of currency instability during the transition to the single currency, and calls for strict adherence to the economic criteria for joining Emu to counter the threat.

The green paper sets out a three-phase transition to the new currency, provisionally called the Ecu or European currency unit.

Phase A: EU governments should allow a delay of up to one year between the date when they choose the participating countries (sometime between the end of 1996 and July 1998) and the irrevocable locking of exchange rates. Minting and production of notes and coins would begin in this period.

Phase B: The European central bank would fix parities and begin operating a single monetary policy. Public debt should be converted in Ecus,

'An autonomous monetary policy is no longer a credible policy option'

and the ECB would deal exclusively in Ecus *vis-à-vis* third currencies such as the dollar and yen. Treasury bills, bonds, and their derivatives would operate in Ecus.

This would create a "critical mass" of about 90 per cent of the volume of all monetary transactions making Emu irreversible, according to Mr Yves-Thibault de Silguy, EU monetary affairs commissioner.

Phase C: The final changeover to the single currency would occur about three years later at a pre-agreed date. It would last for several weeks as national notes and coins are phased out, and the Ecu became sole legal tender. All cheques, transfers and credit cards would be converted into Ecus.

The paper lists the benefits of a single currency: a more efficient single market, stimulation of growth and employment; elimination of transaction costs; an increase in international monetary stability, and enhanced joint monetary sovereignty for member states.

In response to fears in Britain and other countries about the loss of monetary sovereignty, the paper argues that member states will only lose a prerogative which in practice they cannot use.

"With capital moving freely between inter-dependent economies, an autonomous monetary policy is no longer a credible policy option," the paper says.

The green paper also sets out a comprehensive list of the legal and technical issues raised by the introduction of the new currency. This includes the implications for the banks, financial markets and payments systems, companies, public administrations and consumers.

It identifies the need for legislation to ensure certainty for the legal continuity of contracts, and promises to consult widely before unveiling proposals for EU-wide legislation in March 1996.

Editorial comment and Personal View, Page 13

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Emma Bonino, Italian commissioner for consumer affairs, says the Ecu must suit her mother *Reuter*

MUM'S THE WORD ON ECU

Mrs Emma Bonino will be a mixture of secret weapon and loose cannon in the forthcoming European Commission campaign to sell the new European currency to a sceptical public, writes Lionel Barber in Brussels.

A plain speaker, the Italian commissioner for consumer affairs has the advantage of speaking the language of the street, and is determined that economic and monetary union does not become an elitist enterprise run for the benefit of the banks and multinationals.

"My point of departure is my mother," she says. "She is 77, she does not travel abroad, and she does not use a credit card. She rents an apartment, and she pays gas, electricity and water bills. Somebody has to tell her that her life won't change."

Mrs Bonino bubbles with ideas for preparing public opinion for Emu. "We need to educate children at school. We could have monopoly games called the Ecu. We need national television campaigns." She She also wants "double-pricing" displays in shops so that consumers can retain their sense of price.

Where will the money for the Emu campaign come from? Mrs Bonino says her Ecu19m (£15.6m) annual budget is too small to cope: national governments must contribute (though not necessarily those which fail to make the advance guard moving to Emu in 1999).

"Policy without money is not good," says the former Italian MEP. "But money without politics is a disaster."

On one matter she is adamant. There should be no surrender to German pressure to drop the Ecu as the name for the new currency in favour of the Franken or the Franc. "Ecu is neutral, it is not linked to any particular country," she says. "To change the name would be like changing party two weeks before election day."

EU members given final route to Emu

By Caroline Southey in Brussels

The European Commission yesterday mapped out the economic path EU member states must follow to achieve economic and monetary union.

The thrust of the proposals focuses on achieving stable monetary conditions by cutting deficits and resisting high wage settlements.

Mr Yves-Thibault de Silguy, commissioner for economic and financial affairs, said they were necessary for countries interested in translating economic recovery into sustainable growth and job creation.

"This is the only way of overcoming unemployment and ensuring the economic convergence needed to achieve economic and monetary union," he said. The Commission used as its starting point figures which showed that most member states were a long way off meeting economic convergence targets on government deficits and debt.

The debt target has been met by France, Germany, Luxembourg and the UK. Only seven countries are thought likely to achieve a government deficit at or below 3 per cent of gross domestic product by 1996. A majority of countries are expected to meet the inflation target by 1996, although there are still wide differences in rates across the Union.

Member states must meet the criteria before entering the third and final stage of Emu, which includes the introduction of a single currency.

The commissioner's guidelines included:

■ Price stability. He warned that exchange rate movements had affected growth prospects. Countries with appreciating currencies needed to guard against high wage settlements which could reduce the profitability of investments. Countries with depreciating currencies had to guard against wage-price spirals which could increase already high rates of inflation.

■ Sound public finances. Because exchange rate stability rested on sound fiscal policies, member states should use the recovery to improve public finances by bringing down deficits to below 3 per cent of GDP as soon as possible.

Member states are also urged to improve competitiveness by implementing single market legislation, reducing the role of the public sector, investing in research and education and seeing through trans-European network projects.

Consumers to pay the price of petrochemical surge

By Jenny Luesby

Petrochemical prices have peaked on the European spot and contract markets, but they have set in motion inflation which manufacturers say will inevitably work its way through to consumers right across Europe. "The price rises have been alarming," says Mr Robert Nuttall, a purchasing manager for Kemira, the Finnish chemicals group, "and at the factory gate they have not stopped yet."

The company reports rises of 300-400 per cent for some products, and an increase of 30 per cent in the past year in the cost of its entire shopping basket of chemicals (used to make resins, polymers, paints and coatings). It expects this figure to reach 40 per cent.

Courtaulds, the fibres manufacturer, likewise predicts further increases, while Akzo Nobel says the petrochemical price rises have triggered a wave of unconnected increases in chemical prices "as everyone gets on the bandwagon".

The spiral began last summer when the drought in Japan and a series of floods and explosions in the US knocked out nearly a tenth of worldwide petrochemical capacity.

Shortages prompted price rises of between 60 and 300 per cent for the bulk chemicals used to manufacture all plastics and everything from consumer durables, through food, textiles and construction materials, to packaging.

But while the lost capacity is now back on stream, and the US economic slowdown is seeing American producers export more, European petrochemical prices are only stabilising, rather than falling sharply.

One resins merchant suggests the price rises were a fix in the first place "agreed at a meeting of European petrochemical producers in June last year". Others argue that worldwide demand has kept pace with the restoration of the capacity lost last year.

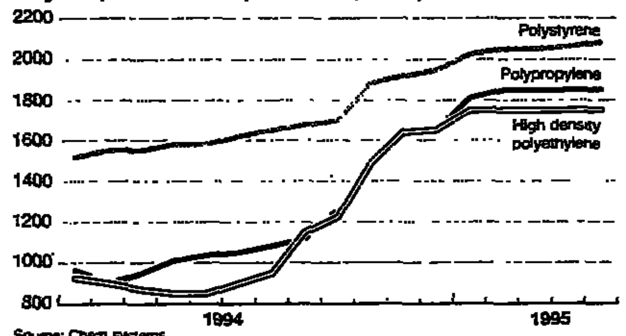
"We only need one or two plants to come off-line and demand will outstrip supply again," says Mr David Glass, a petrochemicals analyst with consultants Chemsystems.

Purchasing managers for manufacturers of plastic equipment, accessories and packaging, coatings, textiles and adhesives report continuing shortages. "The whole basis of these prices has been supply and demand," says Mr Nuttall, "and we will only see them ease as demand moderates."

That will only happen, says Mr Sipko Huismans, Courtaulds chief executive, once the rises have worked their way through to the High Street. "The process has already worked its way through the first stage of chemical producers, and is now at the manufacturing stage."

Bulk plastic prices level off

Polymer prices for European sales (DM/ton)



Source: Chem Systems

NEWS: INTERNATIONAL

Israel widens shekel intervention band

By Julian Ozanne in Jerusalem

Israel yesterday changed its foreign exchange rate regime to allow the shekel to vary within a wider band. But the central bank said the move was part of Israel's liberalisation efforts and would not alter the country's targeted annual 6 per cent devaluation.

"We view this as an integral part of our policy of liberalising financial markets and the integration of Israel within world capital markets," said Mr Jacob Frenkel, governor of the central bank. "The widening of the band will enable exchange markets to reflect more fully the market forces that are associated with large capital flows."

Since October 1991 Israel has created stability in conditions of high growth and high inflation by employing a "diagonal band exchange rate policy" which allows the exchange rate to fluctuate from a pre-determined mid-point within a band while depreciating against a trade-weighted basket of currencies. The slope of the band is calculated as the difference between targeted domestic inflation and inflation imported into Israel from the country's main trading partners.

In a series of adjustments yesterday Israel widened the intervention bands around the central parity to plus or minus 7 per cent from plus or minus 5 per cent; increased the central mid-point by 0.8 per cent; and increased the weight of the US dollar in the basket by 3.2 per cent from about 51.3 per cent on May 30.

The central bank said the 0.8 per cent upward adjustment of the mid-point had been made to compensate exporters for a loss of competitiveness following new unified port taxes. The bank stressed the slope remained at 6 per cent.

Economists said the widening of the bands could mark a gradual reduction in central bank intervention in the foreign exchange market to allow market forces to determine a substantial depreciation of the shekel as a result of capital outflows in the wake of gradually falling interest rates.

But the central bank said this was only one possible scenario and the intention behind widening the band was to allow greater flexibility in exchange rate movements.

The bank said the greater flexibility would increase the risk premium associated with capital movement and was in line with Israel's long-term policy objective of gradually removing capital controls and its gradual widening of the band from 0 per cent in 1991.

New Kenyan party set to register soon

By Michela Wrong in Nairobi

The leading figures in Kenya's proposed new political party will try to register the group over the next fortnight, they said yesterday. The government's response would be "a litmus test" of its stated commitment to political reform, they added.

Dr Richard Leakey, former director of Kenya Wildlife Service, and opposition dissident Mr Paul Muite said in an interview they would apply for registration by June 15 at the latest and saw no reason why the request should be rejected.

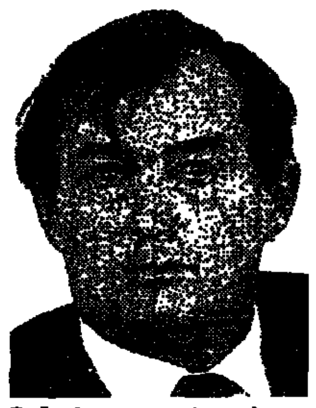
"One has to proceed on the basis that if we are proposing something lawful and constitutionally allowable, we will be allowed to register," said Dr Leakey. "To anticipate no registration would be wrong," he said.

Last month's announcement that Dr Leakey was planning to join the group being proposed by Mr Muite triggered a violent reaction from the ruling establishment, which appears to regard the as-yet-unnamed group as a bigger threat even than the opposition.

President Daniel arap Moi has repeatedly attacked Dr Leakey, a third-generation white Kenyan, as an "arrogant colonialist and foreigner with no understanding of Kenya".

Kanu's insistence on the "foreign-ness" of Dr Leakey, his links with the west and supposed neo-colonial agenda has triggered speculation the government may try to block registration on the grounds the party is financed from abroad.

But Dr Leakey yesterday dismissed the notion of foreign funding as "absolutely preposterous. There's plenty of money in Kenya. Kenyans are desperate to make the country work again, and our primary effort would be to make this local in every sense of the word. I am not interested in running a foreign operation."



Dr Leakey: 'preposterous'

Under Kenyan law, once registration papers are filed, the authorities have 28 days to deliver a ruling. This means the government will have to announce its decision shortly before a key donors' meeting in Paris on July 24.

Kenya will be facing criticism there from donors unhappy with its recent record of press harassment and slowness to build on the reluctant introduction of multi-party democracy in 1992.

Kyrgyzstan to receive $680m in foreign aid

By John Thornhill in Moscow

Kyrgyzstan, the small central Asian state which nestles on the north-western shoulder of China, has been promised more than $680m foreign aid by the end of next year, after it won the approval of the international financial institutions for its ambitious reform programme.

"The liberalisation process has been largely completed. The privatisation programme is progressing well," the World Bank said in a statement in Paris this week recommending aid to Kyrgyzstan. The package of money, which includes some previously committed funds, will be used for budget support and investment projects.

The small former Soviet state contains just 4.4m people and its spectacular mountainous terrain boasts few natural resources. But the country has pursued one of the most progressive economic policies among the Soviet successor states, being praised as a model of reform by the international financial institutions.

Although Kyrgyzstan has made good progress in reducing its inflation rate and stabilising its currency, it is still struggling to control its public finances. Mr Apas Jumagulov, the prime minister, said the main problem was raising sufficient taxes, and forecast that the budget deficit would rise from 8.4 per cent last year to 11 per cent in 1995.

> 'Liberalisation is largely completed. The privatisation programme is progressing'

Kyrgyzstan has attracted more aid per person than any other former Soviet state and harbours ambitions to become the "Switzerland of Central Asia" by developing its financial sector. The country has also adopted a comparatively liberal investment regime, with the aim of attracting foreign capital into its limited gold, oil and gas deposits.

"More than 64 per cent of our firms have been privatised and there is no such thing as a state-owned farm," Mr Jumagulov said in Paris after talks with World Bank officials. The International Monetary Fund has been forecasting a slight rise in gross domestic product this year.

President Askar Akayev, the region's only head of state not a former communist leader, has been battling with a reactionary parliament and called fresh elections earlier this year to produce a more amenable legislature. His opponents have accused him of acting in a high-handed manner, although Mr Akayev is widely regarded as the most liberal leader in central Asia.

INTERNATIONAL NEWS DIGEST

Palestine talks at deadlock

PLO-Israeli talks on extending Palestinian autonomy were deadlocked yesterday over the scope of powers of Palestinian authorities in the self-rule areas of Gaza and the West Bank, negotiators said. But Palestinian and Israeli delegates said they would resume talks next week in Cairo to try to resolve their differences, which Palestinians said threatened the negotiations.

Mr Mohammad Rashid, an economic adviser to PLO leader Yassir Arafat, said the argument arose over Palestinian demands for a share in the tax Israel collects and the profits of telecommunications companies in the West Bank to help them take over and run telephone, radio and television networks there. There was also disagreement over how much authority Israel would concede in the civil administration of the West Bank. The Palestinians demand the kind of full control they have enjoyed in the Gaza Strip since July last year when Israel handed over to them 33 functions. The Israelis said they would hand over only eight spheres.

The talks followed assurances by Israeli foreign minister Shimon Peres that Israel would honour a July 1 deadline for expanding PLO autonomy. *Reuter, Cairo*

Curfew follows Nigerian riots

Security forces have imposed a dusk-to-dawn curfew on the northern Nigerian city of Kano after ethnic riots earlier this week claimed at least five lives, left scores of residents injured and destroyed hundreds of shops. Residents said the riots were triggered by a dispute between a local Hausa man and an Ibo from eastern Nigeria who argued over who should receive a tip from a car parked at a shopping mall.

Relations between the Christian Ibos and the Moslem Hausas have been at breaking point since December, when a Christian businessman alleged to have used the pages of the Koran as toilet paper was dragged out of a prison and beheaded by Islamic fundamentalists. *Michela Wrong, Nairobi*

Iran seeks oil talks with Russia

Iranian President Akbar Hashemi Rafsanjani said Iran wanted to co-ordinate oil and gas policies with Russia, Iran's IRNA news agency reported yesterday. Mr Rafsanjani told visiting Russian journalists on Tuesday that he had invited President Boris Yeltsin to visit Iran to discuss economic, military, political and other issues. No date has been set for Mr Yeltsin to visit Iran but such a trip would follow his decision not to yield to US pressure and to honour a multi-billion dollar, oil-for-arms deal concluded between Iran and the former Soviet Union. *Reuter, Nicosia.*

RUGBY WORLD CUP

Devaluation of an old currency

Huw Richards looks at the solid values of a pre-inflationary era

The late premier Harold Wilson's pound in your pocket may have stabilised, but rugby's basic unit of currency, the point, is depreciating fast.

The first 12 matches in the world cup produced 653 points, just over 54 per game. This compares with 484 points at the same stage in 1991, and 585 in 1987. And both tournaments were high-scoring by historic standards.

The full extent of inflation can be seen from England's winning score, 24 points against Argentina. This was regarded with striking unanimity as an ignoble, below-par under-performance.

But past England teams would have seen 24 as a very high score. Between the post-war restart of internationals in 1920 and the first world cup in 1987, England played 269 matches.

They managed 24 points only eight times - five against Scotland and none in 61 attempts against Wales. Since 1988 they have reached 24 in 10 of their 32 matches against Wales, Scotland, Ireland and France.

Nor was low scoring an English peculiarity. Between 1954 and 1966 there were 130 matches in the Five Nations championship. One, France's 27-6 defeat of Ireland in 1964, reached the mark set by England on Saturday.

Individual scoring records are showing a similar trend. Gavin Hastings' 44 points against the hapless Ivorians may have taken the headlines, shattering previous records with a comprehensiveness that recalled Bob Beamon's world long-jump record at the 1968 Olympics, but there were plenty of other heavy scorers.

Back in 1967, Wales's Keith Jarrett surprised the rugby world by scoring 19 points on his debut, equalling the record for any international match. That mark is now commonplace for a good kicker on song in a decent side.

New Zealand's Andrew Mehrtens has topped it in both his internationals. Rob Andrew and Neil Jenkins were both comfortably into the 20s in their opening cup games, while Canada's Gareth Rees landed 19.

One explanation is to look at these records and say "But who were they playing against?" Established rugby nations would not have thought of playing Ivory Coast, let alone awarding caps, until recently.

But take out the 161 points scored in the two Ivorian matches - and the 67 in Wales' ungrateful response to Japanese inward investment - and you still have an average of 47 points per match.

Ireland v New Zealand and South Africa v Australia are international rivalries of long pedigree - perhaps uncoincidentally, they were also the best matches of the opening round.

Yet the 62-point aggregate. New Zealand's 43 and even Ireland's 19 were all the second-highest in the 13-match 90-year history of the fixture - and would all have been records before 1992. South Africa's 27 points were the third highest in 33 matches over 62 years, with the 45-point aggregate second highest in the series.

One explanation is simple - the increasing value of the try. Scotland's 89 points would only have been 63 before 1971 and 76 up to three years ago. But England's 24 would have been unaffected, and would even have counted as 26 in the days of the four-point drop-goal before 1948.

If the try has upped its value, the penalty has vastly increased in frequency.

As South African rugby historian Paul Dobson says: "The rules are much more complex than they have been and there are a lot more ways of offending."

Former test referee Clive Norling points to increasing incidence of the "professional foul" as teams concede three points to avert the possibility of seven. England beat Scotland and Argentina by scoring 45 points without a try.

Kicking is easier than it used to be. Dobson says: "Balls fly much better now. Kickers haven't got to cope with four panels of mud-caked seams."

Techniques have also advanced. Rob Andrew has benefited hugely from specialist training by former rugby league and American football kicker Dave Alred. Add in the perfect kicking conditions provided by much of South Africa and the giant hauls enjoyed by the likes of Jenkins and Mehrtens are readily explicable.

But the decline of tries is relative rather than absolute. Ireland and New Zealand managed seven between them. Changes in rules and playing styles have made it difficult for weaker sides to sustain resistance. Much was made of the rule giving the scrum put-in against the side who had taken the ball into a ruck as an impediment to attacking continuity. But it also affects defending sides, depriving them of one possible weapon for slowing the game down and killing time.

The dynamic driving game perfected by the All Blacks in the late 1980s and much imitated since is far more productive in scoring terms than the static set-piece-based game preferred by earlier dominant packs.

And no bad thing. No-one wants to go back to the days when 3-0 was a common international scoreline and midfields stood toe to toe, paralysing movement. But there is something to be said for scoring retaining some scarcity value.

Think back to the lowest scoring games in world cup finals history - Australia's 9-3 defeat of Western Samoa in a deluge and Pontypool, and England's 9-6 semi-final win away to Scotland, both in 1991. Neither produced a try, but both were utterly gripping contests, with every score immensely significant.

Both will be remembered when many a 43-27 try-fest is forgotten. By differing from the norm and containing crucial elements of tension and uncertainty, they took on the same quality as baseball games where a 0-0 or 1-0 scoreline survives into late innings or a snooker frame which hangs on a long period of safety play. Pre-inflation they would have been seen as dour everyday contests. But when your currency devalues, old values take on a certain solid worth.

Rugby union world cup - at a glance

Team	GP	W	D	L	PF	PA	Pts
Pool A							
South Africa	2	2	0	0	48	26	6
Australia	2	1	0	1	45	38	4
Canada	2	1	0	1	45	30	4
Romania	2	0	0	2	11	55	2
Pool B							
Western Samoa	2	2	0	0	74	44	6
England	2	2	0	0	51	38	6
Argentina	2	0	0	2	44	56	2
Italy	2	0	0	2	38	69	2
Pool C							
Ireland	2	1	0	1	69	71	4
Wales	1	1	0	0	57	10	3
New Zealand	1	1	0	0	43	19	3
Japan	2	0	0	2	38	107	2
Pool D							
Scotland	2	2	0	0	130	5	6
France	2	2	0	0	92	28	6
Tonga	2	0	0	2	15	79	2
Ivory Coast	2	0	0	2	18	143	2

The next round of pool matches at the weekend is the last before the knockout phase. The games are (local time).

Saturday June 3:
Rustenburg (D) - Tonga v Ivory Coast (1pm)
Stellenbosch (A) - Australia c Romania (3pm)
Pretoria (D) - Scotland v France (5pm)
Port Elizabeth (A) - Canada v S. Africa (8pm)

Sunday June 4:
East London (B) - Argentina v Italy (1pm)
Bloemfontein (C) - New Zealand v Japan (3pm)
Johannesburg (C) - Ireland v Wales (5pm)
Durban (B) - England v W Samoa (8pm)

England 27, Italy 20

It takes six victories to win the World Cup. So England are one third of the way. And no-one wants to peak too soon, writes Huw Richards.

The first important objective, qualifying for the quarter-final, has been accomplished without England ever looking like losing. And this was undoubtedly a better display than Saturday's struggle against Argentina. But with captain Will Carling sitting alongside impressionist Rory Bremner in the King's Park stand, England's impersonation of serious World Cup candidates still fell some way short.

Italy posed different problems from the Argentines. Where the Pumas' power up front was vitiated by failure to use their backs effectively, the Italians were unable to offer a similar physical challenge but were much more fluid and imaginative in attack. Once again England owed a vast amount to stand-in captain Rob Andrew. His 17 points were the difference as each team scored two tries, while the opportunities he was given to kick them reflect England's advantages of territory and possession. Tries for the Underwood brothers reflected a more positive approach. But England were still fitful and unconvincing, much of their play as colourless as their shirts.

Italy's tries were also a matching pair - coming in injury-time each half. First wing Paolo Vaccari charged down Catt's clearance to score. Then Italian skipper Massimo Cuttitta, who grew up in Durban, celebrated his return with a try as his pack drove over.

Scorers: England 27: Tries - Tony Underwood, Rory Underwood; conversion - Rob Andrew; penalties Andrew (5).
Italy 20: Tries: Paulo Vaccari, Massimo Cuttitta; conversions - Diego Dominguez (2); penalties - Dominguez (2).

Ireland 50, Japan 28

Ireland needed two penalty tries in the second half to gain a 50-28 victory over Japan in Bloemfontein yesterday that kept alive their hopes of making the quarter finals, AP reports.

South African referee Stef Neethling awarded the penalty tries when the Japanese repeatedly collapsed scrums close to their line - believed to be the first time a referee has awarded two penalty tries to one side in a world cup match.

Paul Burke scored 15 points for the Irish with six conversions and a penalty. Five other Ireland players scored tries against four for Japan in a match full of running.

Ireland now face Wales in their final pool match. The winner is likely to make the quarter finals while the loser would go home. Japan's chances of advancing after two losses are virtually nil.

The Irish, towering over the smaller Japanese, dominated the set pieces and gave their backs plenty of room, but valiant tackling held off further scoring. Japan, running everything at furious pace, finally broke through for two tries late in the first half by Sinali Latu and Ko Izawa, both converted by Yoshihito Yoshida.

Irish hooker Keith Wood dislocated his right shoulder early in the match and was replaced by captain Terry Kingston. He will miss the rest of the tournament, and be replaced by Shane Byrne.

Scorers. Ireland 50: tries - David Corkery, Neil Francis, Simon Geoghegan, penalty try (2), Eddie Halvey, Niall Hogan; Conversions - Paul Burke (6): penalties - Burke.
Japan 28: tries - Sinali Latu, Ko Izawa, Seiji Hirao, Masanori Takura; conversions - Yoshihito Yoshida (4).

Australia 27, Canada 11

Outside half Michael Lynagh scored a try among his 17 points to lead Australia to a workmanlike 27-11 rugby world cup victory yesterday over Canada in a half-empty Boet Erasmus stadium in Port Elizabeth, Peter Berlin reports.

Canada must now beat the Springboks to have any chance of advancing to the quarter-finals, while Australia are expected to defeat Romania and go through with South Africa.

Lynagh's performance moved him past Grant Fox of New Zealand into second place on the all-time world cup points list with 178, behind the 198 of Scotland's Gavin Hastings.

The Wallabies won virtually every lineout, forcing Canada to change tactics. The Canadians employed more tenacious running and that created gaps which led to two penalties by captain Gareth Rees. Australian winger David Campese vastly improved on his opening game against South Africa, setting up Lynagh's try and coming close to scoring twice, only to be stopped by hard Canadian tackling.

The rugged match produced several injuries. Mark Hartill and Phil Kearns of Australia were replaced by Ewen McKenzie and Michael Foley respectively and Gareth Rowlands hobbled off for Canada, with Glenn Ennis coming on.

Australian coach Bob Dwyer criticised what he called over-cautious refereeing by Patrick Robin of France.

Scorers. Australia 27: tries - Ilie Tabua, Joe Roff, Michael Lynagh; conversions - Lynagh (3); penalties - Lynagh (2).
Canada 11: tries - Al Charron, penalties - Gareth Rees (2).

Argentina faces revenue shortfall

By David Pilling in Buenos Aires

Argentina's tax revenues for May are likely to fall well short of expectations, according to preliminary Treasury estimates, fuelling concern that the country may fail to meet ambitious 1995 fiscal targets agreed with the International Monetary Fund.

By May 26, tax collection had reached \$2.68bn (£1.7bn), compared with a goal of \$4.026bn for the month. Economic activity and consumer demand, hit by a sharp contraction of credit, are rapidly cooling off, squeezing revenue from value-added tax and import receipts.

Should the trend continue, many economists believe Argentina will have to contemplate a further round of spending cuts, or seek an IMF "waiver" – forgiveness for failing to comply with agreed targets.

Economy ministry officials insist that neither option is being considered.

The IMF earlier this year led a \$7bn external rescue package for Argentina, whose economy was severely affected by the crisis following Mexico's devaluation last December. In return for multilateral loans, Argentina implemented spending cuts and tax rises with the aim of producing a cushioning budget surplus of \$4.4bn.

In the first quarter, Argentina surpassed IMF requirements by registering a fiscal deficit of only \$875m, better than the agreed deficit of \$1.2bn. But targets become much stiffer in the remaining three quarters, with the Treasury expected to produce surpluses of \$0.6bn, \$2.6bn and \$2.5bn respectively.

The economy ministry says it is confident that, as liquidity returns, revenue will rise sharply as businesses pay their back taxes. Since the re-election of President Carlos Menem last month, an estimated \$2bn of the \$8.5bn that fled the financial system this year has returned.

Bankers say, however, that little of this money is likely to be used to restore credit in the real economy, as banks will use returning deposits mainly to repair their balance sheets.

The effect of the credit squeeze has been most clearly visible in the plummeting demand for cars. Sales have fallen 38 per cent in the first four months of 1995 against the same period last year, obliging many local manufacturers, such as Ciadea and Sevel, to announce the closure of their factories for much of June.

Argentina's fiscal position was further compromised this week when the privatisation of the state's remaining 25 per cent in Transportadora de Gas del Norte was suspended because of poor market conditions. Of the \$4.4bn budget surplus planned for this year, \$1.4bn was due to have come from the sale of minority stakes in privatised energy companies.

Clinton to stand by minorities policy

By Jurek Martin in Washington

President Bill Clinton's administration is prepared to conclude that most US affirmative action programmes for women and racial minorities are still useful but that numerical quotas and some federal contracting preferences may have to be jettisoned in order to assuage white male resentment.

An internal analysis commissioned by Mr Clinton speaks of establishing "genuine goals rather than straitjackets or quotas", according to the New York Times. Existing affirmative actions programmes should be constantly reviewed for their effectiveness.

The report has not yet been approved by the president but Mr Clinton may reveal its broad conclusions in an as yet unscheduled speech sometime in the next few weeks. Mr George Stephanopoulos, the senior White House adviser, said Mr Clinton was motivated not by politics but by "policy and principle".

Affirmative action is, however, already hot politics and a potentially big issue in next year's presidential elections. The Republican majority in Congress is determined to remove many such initiatives from the statute books while today Governor Pete Wilson of California is to announce the abolition of most state programmes.

In a speech last April, Mr Clinton acknowledged the concerns of what he called "angry white males" convinced that they have been made the victims of discrimination over the last 30 years. The Supreme Court has several affirmative action cases before it and last week invalidated a scholarship programme at the University of Maryland exclusively reserved for black students.

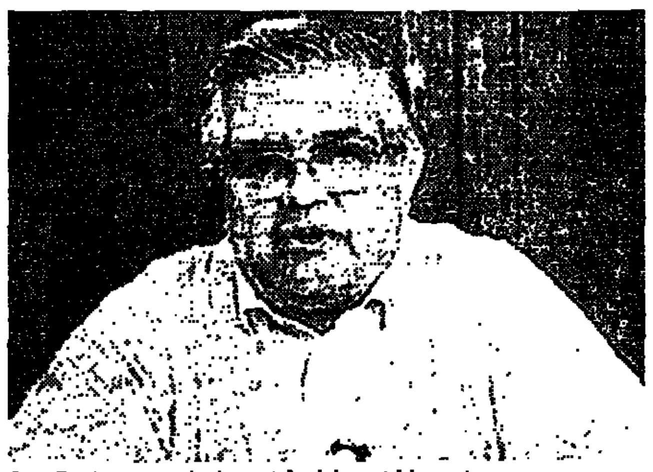
According to the New York Times, the administration review highlighted contracting procedures at both the commerce and state departments giving limited preferences to minority-owned businesses.

Such initiatives had expanded procurement opportunities for minority businesses over the years, but the shrinking of the federal contracting pie had meant real losses, especially for small white-owned companies. But it also said "consideration of race and sex is permissible" in certain circumstances, for example in correcting racial imbalances at a college or workplace or to counter a history of manifest discrimination.

Mr Clinton will have to walk a fine line, given the prevailing anti-government mood. Any substantial retreat from affirmative action risks alienating several minorities which still form a core Democratic constituency. Equally, bucking the trend could lead to more problems among white male voters, who preferred Republican candidates in last year's elections by a 6:4 ratio.

Chilean general vows to defy jail sentence

By Imogen Mark in Santiago



Gen Contreras protests on television at his sentence AP

Chile's former secret police chief has defied a Supreme Court decision upholding his conviction for the murder of Socialist leader Orlando Letelier, vowing he will never go to jail.

Retired General Manuel Contreras claimed on television immediately after the ruling on Tuesday that he was innocent of the murder of Letelier, a former foreign minister, and accused "the marxists" of engineering a political trial.

The court also confirmed the sentence on Gen Contreras's second-in-command, Col Pedro Espinosa, for masterminding the assassination in Washington in 1976. The two had appealed against the sentences of seven years for Gen Contreras and six for Col Espinosa.

Chile's army has not reacted officially to the ruling, but two retired generals made statements regretting the sentences and claiming the cause of peace and reconciliation would be put back by several years.

The army high command had apparently accepted that Gen Contreras would go to jail. But it is worried at signs that this will not close the chapter of trials for widespread human rights abuses during the 17 years of military rule.

It fears that Gen Contreras's conviction will strengthen demands for an investigation of the role of his direct commanding officer, the then-President Augusto Pinochet who is still head of the army.

Government sources say Gen Contreras is under army surveillance at his farm in an isolated region of southern Chile. They discount any idea that he might commit suicide rather than give himself up. The investigating magistrate, Mr Adolfo Bañados, is expected to request police to deliver notification of the sentence to the general within the next two to three days.

In the past two weeks a spotlight fell on two other cases in which Gen Contreras's force, DINA, is implicated. One was a case being heard in Italy where DINA is accused of attempting to kill Senator Bernardo Leighton, a Chilean Christian Democrat leader, and his wife, in Rome in 1975. The second case, conducted in Chile, is into the death under torture of a Spaniard, Carmelo Soria, in 1976.

Philip Morris filters out the product harm

The swift recall of tainted cigarettes by the US tobacco group should placate the market, writes Richard Tomkins

Smoking causes lung cancer, heart disease and emphysema, according to the US surgeon general. By comparison, the risk of a little coughing and sneezing as a result of contamination may seem relatively minor.

Yet Philip Morris, US maker of Marlboro, the world's best selling cigarette, seems to have acted in textbook fashion in its decision to recall 8bn cigarettes from the US market because of the risk that some of them could have been tainted with an extraneous chemical. Other product recalls have demonstrated that consumer goods manufacturers can recover rapidly from such crises if they are open with their customers about what has gone wrong and act quickly and decisively to remove contaminated goods from the market.

Johnson & Johnson, the US drug company, was admired for its decision to withdraw Tylenol, its best selling painkiller, from the US drug market in 1982 after an extortionist laced some containers with cyanide, killing seven people. Tylenol later regained its market dominance.

Less impressively, Perrier, the French manufacturer of sparkling water, was seen as acting tardily and grudgingly when traces of benzene were found in its product in 1990. Eventually, it was forced to recall every bottle and the total cost was believed to have been twice the \$100m (£63.6m) spent by Johnson & Johnson.

Philip Morris's recall, although smaller in cost terms than some recent vehicle recalls by car manufacturers, ranks among the the biggest yet in the packaged goods market. It believes that retrieving and destroying the 8bn cigarettes – about three days' US production – will cost \$100m, and that it could lose the same amount again in lost sales.

The problem was identified on May 19 when a shopfloor worker at a company plant in Cabarrus, North Carolina, smelled an unpleasant odour coming from cigarettes on the production line. Production was halted and the smell was traced to a glycerine-based stiffening agent, or plasticiser, which is sprayed on to cigarette filters during the manufacturing process.

After several days of investigation, scientists at Philip Morris concluded that contaminants in a batch of plasticiser supplied by Hoechst Celanese, a subsidiary of Germany's Hoechst group, were reacting with the cellulose filters to form a chemical called methyl isothiocyanate, or MITC – sometimes used as a commercial pesticide.

While the chemical was not present in dangerous quantities, Philip Morris said it gave cigarettes a metallic taste and that continued use could cause dizziness or temporary eye, nose and throat irritation.

It tried to retrieve all affected cigarettes from the distribution system but could not be certain that none had slipped through to retailers; so rather than take the risk, it decided to recall all its filter cigarettes from the US market.

Since announcing the recall last Friday, Philip Morris has tried to publicise and the reasons for the decision by taking full-page advertisements in newspapers, setting up a free telephone inquiry service for wholesalers, retailers and customers and keeping the media and stock market analysts briefed.

Meanwhile, some 5,000 Philip Morris employees, including 2,000 from the group's Kraft General Foods division, have been working through a list of 337,000 cigarette retailers, visiting each to replace their stock. By Tuesday they had called on retailers representing about 50 per cent of the company's US cigarette sales and Philip Morris reckoned it would take another week to complete the task.

Although the recall appears to be going as smoothly as could be hoped, some puzzles remain. Why did Philip Morris's quality control systems fail to pick up the contamination earlier? And why did the company seem to take so long to react?

Philip Morris says the contamination initially went undiscovered because the presence of MITC was a freak occurrence and quality control systems were not set up to detect it. Once a problem had become apparent, it took intensive efforts to identify the cause – again, because the people analysing it did not know what they were looking for.

Another question outstanding is the one of blame. Philip Morris has repeatedly claimed that the tainted plasticiser was contaminated before it arrived at its factory. Equally, Hoechst Celanese has claimed that it has "found nothing to indicate that the company's products or processes could have contributed to the problem that Philip Morris has reported."

No doubt the lawsuits will fly in due course. Meanwhile, Philip Morris has cancelled plasticiser shipments from Hoechst Celanese, switching supplies to Eastman Chemical, and is testing the material by gas chromatography to make sure there is no recurrence.

Philip Morris's share price, nearly back at last week's levels, reflects the market's belief that there will be no lasting damage to profits.

"I think consumers will be very forgiving if they believe we have acted in a prudent way and that the execution of our recall has gone well," says Mr James Morgan, chief executive of Philip Morris USA. "Cigarette consumers have immense loyalty to their brands. That is one of the characteristics of our industry."

Tokyo's governor calls off Expo

By Emiko Terazono in Tokyo

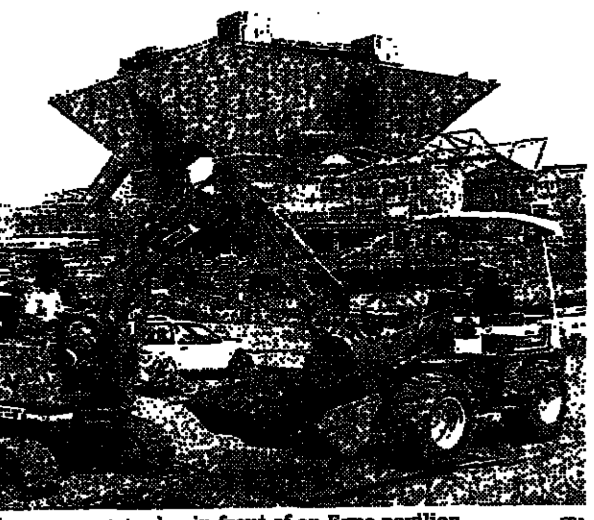
Mr Yukio Aoshima, governor of Tokyo, declared yesterday he was cancelling the Y200bn (£1.5bn) World City Expo scheduled for next year, causing dismay among Japan's business and political communities.

The expo was conceived by the previous governor during the height of the economic boom in the 1980s. It was intended to pave the way for an ambitious Y8,000bn waterfront project along Tokyo Bay, tagged the Tokyo Teleport Town. However, the prolonged economic downturn has forced companies and the metropolitan government to review the development, and the expo itself had begun to be regarded as an extravagance by many taxpayers.

Mr Aoshima announced earlier this month that he intended to keep his campaign pledge to cancel the expo, raising bitter criticism from metropolitan assembly members and business leaders. His final decision yesterday flies in the face of a non-binding majority vote by the Tokyo assembly to support the project.

Tokyo officials calculate that cancellation will cost the Tokyo government Y100bn in compensation to expo participants and other costs. The cancellation will also affect 122 provincial authorities, 46 foreign cities including London, Paris and New York, and more than 200 small business groups. However Mr Aoshima said he wanted to dispel the public's distrust in politics by keeping his promise.

The governor has final say over the decision but the metropolitan assembly holds the budget, and Mr Aoshima needs its approval to pass a supplementary budget to nullify the Y60bn put aside for the expo.


Work goes on yesterday in front of an Expo pavilion EPA

Ordinary Japanese were pleasantly surprised by Mr Aoshima's decision, but business leaders expressed their bewilderment. Mr Kosaku Inaba, chairman of Japan Chamber of Commerce, said the cancellation would hit companies and organisations which had already invested in projects, adding that it would harm the economy.

"It is disappointing," said Mr Shoichiro Toyoda, chairman of the Keidanren, the most influential business lobby. "But we have to respect the decision as one reflecting public opinion," he added.

Corporate participants in the expo, many of which had invested large sums of money in their pavilions, made their disappointment clear. "Although we have expected such a decision, we are shocked nonetheless," said a Sumitomo official. Dentsu, the advertising agency in charge of co-ordinating the expo, said seven years of preparation had come to nothing. "What sort of compensation we are going to demand is undecided, but our financial loss is huge," said an official in charge of the agency's expo division.

Japan coalition hits trouble on war apology

By William Dawkins in Tokyo

The three partners in Japan's ruling coalition failed last night to resolve a serious split over a proposed parliamentary apology for Japan's wartime record.

Premier Tomiichi Murayama said yesterday he would act with "grave determination" if the Liberal Democratic party, the senior coalition partner, continued to block the apology planned to mark the 50th anniversary of the end of the second world war.

His remark aroused speculation that Mr Murayama was threatening to pull his Social Democratic party out of the coalition, thereby causing the government's collapse.

The LDP will do its best to stop the row going far enough to bring down the government, analysts in Tokyo say. Coalition members have given themselves until tomorrow to come to an accord, after passing yesterday's self-imposed deadline.

The row, brewing since the coalition took power nearly a year ago, has attracted increasing attention from Japan's east Asian neighbours, an embarrassment in a year when Japan is chairing the Asia Pacific Economic Co-operation forum.

It has drawn criticism from former prisoners of war and human rights groups, confirming the Japanese foreign ministry's fears that the 50th anniversary will be a diplomatic misfortune.

Mr Murayama, a pacifist, demanded LDP support for what would be the Japanese parliament's first collective expression of remorse for the war, as a condition for forming a coalition with his former political enemies.

This is the only principle the SDP has stuck to during its coalition with the conservatives. To oblige his LDP partners, Mr Murayama has agreed to a sales tax rise and accepted Japan's right to have a military, thereby alienating his traditional voters. The original accord on the resolution must stand, he insisted yesterday.

Over half the LDP opposes Mr Murayama's wartime resolution, and could only accept a much watered down version. LDP politicians are sensitive to the support the party receives from the 1m members of the war bereaved families' association.

There is an equally strong body of resistance to Mr Murayama's proposal among members of the opposition New Frontier party, many of whom are former LDP members.

Unlike the general remorse in Germany, there is no consensus in Japan over whether the country's war record is a matter for apology. Many members of the older generation and the right believe Japan waged a war to oust western colonial powers from Asia, rather than a war of aggression against its neighbours.

Equally, the left and many younger politicians believe a heartfelt expression of remorse is vital to Japan's claim to wield international influence more commensurate with its economic clout.

Tiananmen dissidents issue freedom appeal

By Tony Walker in Beijing

Jailed Chinese dissidents have appealed for their freedom in a bold challenge to the authorities on the eve of the June 4 anniversary of the 1989 crackdown on pro-democracy activists.

In a handwritten document sent to China's parliament, 17 prisoners of conscience also called for a reversal of the official verdict on the Tiananmen episode. The authorities had described the protesters' actions as a "counter-revolutionary crime".

The petition's organiser was Mr Yu Zhijian, imprisoned for life in 1989 for throwing eggs at the portrait of late Chairman Mao Zedong which hangs over Tiananmen Gate on Beijing's central square.

An unrepentant Mr Yu said: "In these six years, we have never regretted the road we have taken or the things we have done. Every day, in our hearts, we think of one thing: reverse the verdict on June 4."

Demands for a reversal of the official verdict have been a common theme of the more than half-dozen petitions sent to the authorities in the lead-up to the June 4 anniversary. The petitions represent the boldest challenge to the government since 1989, and indicate that the desire for a review of the Tiananmen verdict remains a potentially explosive political issue.

Meanwhile, Human Rights Watch has called on leaders of the Group of Seven industrialised nations meeting in Canada later this month to develop a "common strategy" to exert pressure on China over a "systematic pattern of abuse" of prisoners and denial of political freedom.

The New York-based group said that in the light of the present sweep against dissidents (some two dozen have been detained in the past two weeks), it was crucial that the international community should press China to respect international human rights conventions.

The group, established in 1978 to push for the observance of human rights, strongly criticised the Clinton administration over its decision last year to "de-link" human rights issues from renewal of China's Most Favoured Nation access to the US market.

"One year after President Clinton unconditionally renewed MFN . . . the Chinese government continues to impose tight controls on dissent and engage in a pattern of systematic abuse of prisoners," the group said in a report.

"Tight new security laws have been put into effect. Torture continues in China's vast network of prisons . . . as does the production by prisoners of goods for export.

"Freedom of expression and association remain tightly restricted . . . within the last two weeks, more than a dozen prominent intellectuals and other key activists have been taken into custody. It is essential that China, as an emerging economic and political superpower, be held accountable for its obligations to comply with international norms of behaviour, whether in the area of trade or human rights."

China offers compromise plan on HK legal system

By Simon Holberton in Hong Kong

Sino-British talks about Hong Kong's future legal system took a dramatic turn yesterday when China proposed a compromise plan for the colony's Supreme Court.

The two sides said a further unscheduled session of talks would be held today in an attempt to strike a deal. If successful this would avert another damaging row, but British officials said they remained sceptical that a resolution could be achieved.

The status of Hong Kong's legal system has emerged as a crucial area of concern among the business sector and diplomatic community as the colony approaches its handover to China. Both sectors have lobbied China on the issue although the business community is opposed to setting up a court of final appeal without Beijing's blessing.

Currently Hong Kong's supreme judicial body is the judicial committee of Britain's Privy Council. Britain and China agreed in 1991 that the court of final appeal could take over the Privy Council's responsibilities before Hong Kong reverts to Chinese sovereignty in mid-1997.

The main point of contention between the two sides has been the extent of the court's jurisdiction. China has been concerned that Hong Kong's highest court should not be able to rule on matters concerning China's sovereignty over Hong Kong. Britain believes that past agreements between the two about "acts of state", such as foreign affairs and defence issues, cover China's concerns.

Officials on neither side would discuss details of Beijing's latest proposals, but it is believed that Beijing has withdrawn its demand for a "post verdict remedial mechanism" to be set up alongside the court. This request alarmed Britain as it suggested that the court would in effect be something less than Hong Kong's court of final appeal.

The Hong Kong government wants legislation to establish the court by the end of July so it can begin hearing cases in a year's time. Governor Chris Patten has stressed that time for an agreement was running out. British officials warned China's 11th hour intervention could be just posturing.

Australian growth eases to 3.7%

By Nikki Tait in Sydney

Australia's economic growth fell back to 3.7 per cent year-on-year in the March quarter of 1995, with gross domestic product rising by just 0.5 per cent during the three months.

In the previous quarter, according to revised figures published yesterday, the year-on-year rate for gross domestic product growth stood at 5.4 per cent, and in the September 1994 quarter it was running at over 6 per cent.

A growth rate of over 4 per cent is widely thought to be unsustainable for Australia, and likely to lead to inflationary pressures. As a result, the federal government has been taking monetary and fiscal action, through interest rate rises last year and a tighter 1995-96 budget to rein in the economy.

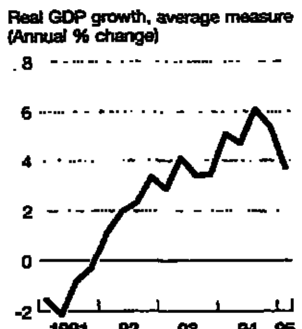
But while various statistics have already indicated that the economy is losing steam, yesterday's figures are the most comprehensive assessment of the degree of slowdown.

They were warmly welcomed by Mr Ralph Willis, the treasurer, who said they "confirmed the economy is on track for sustainable growth accompanied by high productivity and low inflation".

Most private sector economists also viewed the figures, largely in line with forecasts, as favourable; some suggested the latest growth numbers put paid to the prospect of further interest rate adjustments this year. "Our expectation is that official interest rates will not be altered in 1995, though the weakening exchange rate remains a risk to this view," Bankers Trust commented.

Australia

Real GDP growth, average measure (Annual % change)



Source: Datastream

The exchange rate situation was given an extra twist yesterday, when Mr Willis noted a weaker currency would help Australia's continuing current-account problems. Bearish traders took this as a sign the government is sanguine about the currency's fall, and sold it down further.

The Australian dollar fell to its lowest level for over a year against most leading currencies, reaching US$0.7124 at one stage.

It closed at 48.5 points on the Reserve Bank's trade-weighted index, a level last seen in mid-November 1993.

Mr Willis took the opportunity to draw some comparisons with the New Zealand economy. "NZ has got its act together a lot better now," Mr Willis said. "But they have done so in a way more disturbing to their society than anything that has happened here."

Ramos steps in over row on police

By Edward Luce in Manila

Philippines president Fidel Ramos yesterday pledged to take "a direct hand" in restoring the credibility of the police force after congressmen called for the impeachment of the vice-president for refusing to attend an inquiry into the killings of 11 alleged bank robbers.

Vice-President Joseph Estrada antagonised congressmen and relatives of the deceased suspects when he said: "These people deserve to be wiped out."

A Senate investigation into the killings on May 18 of the 11 people, one of whom was aged 14, heard evidence this week from two policemen involved in the case. They claimed senior police force members had ordered the disarmed suspects executed.

A police statement said the gang members had been killed during a shoot-out with police at the site of the alleged robbery in Manila.

The two witnesses, Sergeant Eduardo De Los Reyes and Investigator Cory De La Cruz, confirmed post-mortem findings into the deaths which said all 11 were shot in the head at close quarters.

Forensic experts said only one of the gang's 11 guns showed signs of having been fired, casting doubt on police descriptions of a shootout.

The furore is the latest in a long line of controversies over dubious police tactics which appeared to have been given the seal of approval by Mr Estrada.

Earlier this year, Mr Ramos stopped short of removing Mr Estrada from his post as chief of the country's anti-crime commission but deprived the body of much of its power, after it was accused of having carried out frequent extra-judicial executions to combat violent crime.

Mr Estrada, who has made no secret of his intention to run for the presidency in 1998 when Mr Ramos steps down, was also the object of widespread criticism in the recent congressional election campaign.

Despite being deputy to Mr Ramos, Mr Estrada openly backed leading opposition candidates, including Mr Ferdinand "Bong Bong" Marcos, son of the late dictator, and Mr "Gringo" Honasan, a leader of attempted coups in the late 1980s.

"Estrada is an unknown quantity," a western diplomat said yesterday. "He would not be as reassuring a president as Fidel Ramos. He represents the old-style Philippine politician, which is not very comforting."

Senators say the row over the alleged officially sanctioned executions will not affect proposed legislation to reform the police force.

ASIA-PACIFIC NEWS DIGEST

Taiwan's China trade rises 40%

Taiwan's two-way trade with China, mostly routed through Hong Kong, climbed 40.8 per cent to $4.7bn in the first quarter of this year. The figure represented just 9.7 per cent of Taiwan's foreign trade during the period, but the continued high growth is seen as a sign of the island's increasing economic reliance on the China market.

Taiwan's premier, Mr Lien Chan, said on Tuesday that mainland China was likely to become Taiwan's largest trade partner, investment destination and source of foreign exchange surpluses by the year 2000. The US has long been the island's biggest trading partner. Exports made up the bulk of cross-strait trade flows at $3.98bn, up 33.9 per cent. Largely because of the easing of curbs on imports of semi-finished products last year, imports rose 98 per cent to $720m.

Since the early 1980s, some 25,000 Taiwan-backed companies have established manufacturing operations or other businesses in China. The Taiwan government has banned direct economic links with China since 1949, forcing trade and investment to be channelled through a third country such as Hong Kong. A relaxation of cross-strait political tensions in the past few years has spurred the growth of economic ties. *Laura Tyson, Taipei*

Seoul plans education reform

South Korea plans to overhaul its rigid education system, overturning centuries of Confucian tradition by abolishing university entrance examinations, the main means to select students for higher education. The exams are considered so crucial that they influence the entire education system down to primary school. Universities will instead be required to select students on a wide range of criteria, including past academic performance and extra-curricular activities. The reform is meant to promote analytical skills and creativity rather than the rote learning encouraged by the university exams' reliance on multiple-choice questions.

The changes would help eliminate the "exam hell" students face as they prepare for entrance tests. Families spend as much as 10 per cent of their income on cramming schools, and poor families claim the system discriminates against them. The government also promised to boost spending on education to 5 per cent of GNP, or an estimated $31bn, by 1998 from its present 3.8 per cent. Doubts remain, however, about whether it will be able to achieve this goal since the government is also significantly raising spending on defence and infrastructure projects. *John Burton, Seoul*

Bond refused passport

Mr Alan Bond, the failed Australian tycoon, yesterday lost an attempt to have his passport returned so he could travel to London for "business reasons". Mr Bond faces various charges relating to the alleged defrauding of Bell Resources in the late 1980s, but has been released on bail.

Judge Kevin Hammond, in the Perth District Court, ruled Mr Bond was a person "of great notoriety. The risk. . . of him absconding is significant enough for me to cause his passport to be withheld," he said. *Nikki Tait, Sydney*

■ Taiwan's Council for Economic Planning and Development plans to lower its target for annual GDP growth to 6.5 per cent for the next five years, down from 7 per cent. *Reuter, Taipei*

■ The Chinese capital, Beijing, will ban smoking in main public places from October, officials announced in a resolution to mark World No-Smoking Day. *Reuter, Beijing*

■ Capital investment by Japan's telecoms operators is likely to hit a record Y3,320bn ($40bn) in the 1995-96 business year, up 15.2 per cent, according to a survey by the Ministry of Posts and Telecommunications. *Reuter, Tokyo*

■ China has re-approved 11 of its 14 existing futures exchanges after an examination but has demanded strict implementation of trading regulations, the China Securities newspaper said. *Reuter, Shanghai*

Bolger in narrow win on radio sell-off

By Terry Hall in Wellington

The New Zealand government's tenuous grip on power has been shown by its narrow victory in a bill to sell off radio stations. Premier Jim Bolger's administration won only after seeking the support of breakaway MPs who have formed their own parties as the country prepares for proportional representation next year.

The narrowness of the win in the first vote of the new parliamentary session shows Mr Bolger is heading a minority government, only staying in power with the consent of opposition parties.

After the 1992 election win, his National party won a one-seat victory. Since then, two National backbenchers have resigned to form new parties of their own; a right-wing Labour MP, Mr Peter Dunne, has formed a fourth party. The government now faces six opposition parties who together can easily outvote any of its proposals.

The new parties have been formed in response to opinion polls that show no party can govern alone.

Mr Bolger has made no secret of the fact he is seeking a coalition partner. Last week, Ms Helen Clark, the Labour leader, spurned an offer for talks. Observers believe that neither Labour nor the fledgling opposition parties will do anything soon to rock the boat, nor is Mr Bolger likely to introduce any too controversial measures.

The government won the vote in favour of selling the commercial radio stations by 43-40. Left-wing parties – Labour, the Alliance, and New Zealand First – opposed the bill, but it was supported by the National, Christian Democrats and Future New Zealand parties.

It splits the state-owned Radio New Zealand broadcasting company into a public radio company, to stay government-owned, and a 40-strong chain of commercial stations, likely to sell for NZ$40m ($26m). Mr Tony O'Reilly's Independent Newspapers Group, which last month bought the New Zealand Herald, the country's biggest newspaper, has been among those to signal interest.

NEWS: WORLD TRADE

Kodak exposes Fuji's market grip

Michiyo Nakamoto on fierce competition in the Japanese colour film sector

The shelves of Tokyo supermarkets are lined with dozens of rectangular boxes in the familiar green and white pattern of Fuji Photo Film, Japan's dominant supplier of colour film. The yellow and black logo of Kodak, which is perhaps the best known trademark among photographers throughout the world, is nowhere to be seen.

The dominance of Fuji in Japan prompted Kodak to file a complaint with the US government last month alleging that unfair business practices, particularly by Fuji, had kept it out of Japan's market for photographic film and paper. In some cases, Kodak claims, these unfair business practices were conducted with the knowledge and participation of the Japanese government.

Specifically, Kodak's complaint is that Fuji and other Japanese film makers systematically denied the US company access to distribution channels by employing anti-competitive practices such as rebate schemes, horizontal price-fixing and retaliatory measures.

Fuji rejects Kodak's claim as "groundless". Both Fuji and the Ministry of International Trade and Industry point out that the colour film and paper industry has been carefully watched by Japan's Fair Trade Commission, which has never charged Fuji with anticompetitive practices.

The Japanese market, Miti says, is open and competitive. For one thing, Japan does not impose duties on imported film, while the US levies a 3.7 per cent tariff, the trade ministry notes. According to Miti figures, Fuji's share of the Japanese market, 70 per cent against Kodak's 10 per cent, closely mirrors the US market, where Kodak holds a similarly dominant position and Fuji has a market share of about 10 per cent.

Kodak dismisses such comparisons as misleading. According to its figures, Fuji has an almost 75 per cent share of the Japanese market, against a Kodak share of less than 7 per cent.

As in many trade disputes involving Japanese markets, while formal barriers to imports have been removed, analysts agree that the history of a closed market, the extremely high cost of entry into the market and certain business practices have made it difficult for foreign companies to build up market share.

Mr Walter Stork, president of Agfa-Gevaert Japan, points out that although tariffs on film imports were gradually reduced from 1980 and have been eliminated since 1990, initially they were as high as 40 per cent of freight-on-board value.

Miti notes that such restrictions in the early stages of economic development are not unique to Japan. Nevertheless, the result was that while these restrictions kept foreign companies out of the market, Fuji Film was able to build up a formidable presence, which still serves as one of the biggest obstacles for other manufacturers trying to expand in Japan.

"When you have one film maker that is so strong that it has 70 per cent of the market, the consumer tends to identify film with that brand," Mr Stork says. Getting consumers to think of another brand when buying film requires tremendous investment in advertising, he notes.

However, consumer recognition is only part of the battle. Unless retailers are willing to stock the film so that consumers can buy it, expensive advertising is wasted, Mr Stork says.

Here, Fuji's dominance of the market is again a significant obstacle, not only for foreign companies like Agfa and Kodak but also for Fuji's domestic rival Konica.

A Konica representative points out that when a company has a big market share stores are comfortable selling just that one brand. In addition, the close ties between Japanese film makers and their distributors enable them to exert pressure on retailers.

This pressure "is enormous," Mr Stork says. "As soon as competitors found our products on the shelves, they would come and move it to the corner."

Observers point out that a commonly used tactic is to discourage retailers from handling a competing product by threatening to limit supplies of their own goods.

The control that film makers have over the photo-finishing business has also been a significant barrier, Mr Stork says. With about 80 per cent of this business controlled by the film makers, newcomers risk the danger that their film may not be processed properly.

Yet despite the informal barriers that foreign film makers have come up against, the recent experience of Agfa in Japan reflects a changing environment that offers a real chance to loosen Fuji's stranglehold on the market.

One significant change is the growing influence of non-traditional retail outlets in selling film. While camera stores and film shops which have sold Fuji and other Japanese film for many years might be reluctant to try new brands, new retailers are emerging to sell film either under the original brand or under a private brand.

These retailers tend not to be tied down by industry convention but are more interested in stimulating sales through lower prices, which imports can increasingly satisfy because of the yen's recent sharp rise.

Agfa has been able to take advantage of interest from such retailers by tying up with Daiei, a leading supermarket chain, Lawson, an affiliated convenience store, and Yodobashi Camera, a discount camera chain, among others.

The partnerships have helped Agfa to increase its market share from less than 1 per cent in 1993 to 5 per cent last year, including its films sold under private labels.

The company's experience suggests that the changes occurring in the market may provide the best opportunity to overcoming any barriers.

Eastman Kodak, the big US film and camera manufacturer, yesterday released a 300-page memorandum documenting its charges of exclusionary business tactics employed by Fuji Photo Film of Japan, writes Nancy Dunne in Washington.

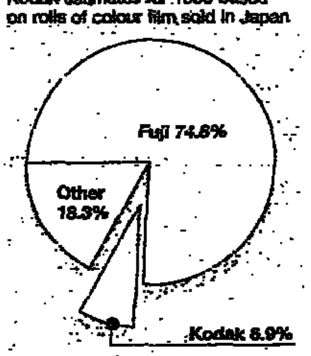
Two weeks ago Kodak brought a complaint against Fuji, filed under Section 301 of US trade law, alleging that Fuji's anti-competitive trade practices have limited Kodak's market share in Japan. The charges will be investigated and, if deemed accurate, will go either to the dispute settlement mechanism under the World Trade Organisation or to bilateral negotiations. If all else fails, the US Trade Representative can impose sanctions.

Mr George Fisher, chairman of Eastman Kodak, said his company had been unable to win more than 7-8 per cent of the Japanese colour film market or get its products in more than 15 per cent of retail outlets. Fuji, he alleged, used a series of invisible trade barriers – price-fixing in trade associations, cash payments to financially strapped wholesalers and retailers to maintain retail prices, and distributor group boycotts. Mr Fisher claimed Kodak had lost out on sales worth up to $6bn over the last two decades.

Mr Fisher said that Kodak tried to tailor its products for Japanese consumers, engaged in promotion efforts by sponsoring Japanese sporting and cultural events, modified its management in Japan, and sought to build its own distribution network, but without success.

Kodak's claim

Kodak estimates for 1993 based on rolls of colour film sold in Japan



US tactics threaten to 'unleash trade war'

By Guy de Jonquières, Business Editor

Growing US protectionism and Washington's aggressive use of bilateral trade tactics threaten to unleash a "devastating" world trade war, the incoming head of US economists' leading professional body warns today.

Professor Anne Krueger of Stanford University, president-elect of the American Economic Association, says US reliance on tactics inconsistent with World Trade Organisation rules risks undermining the world trade system by prompting other governments to take counter-measures.

"While a sudden, dramatic collapse has little likelihood, there is a strong possibility of gradual erosion and, ultimately, over one item or another, the outbreak of a trade war in which both sides stand firm, impose retaliatory tariffs and engage in a cycle of counter-retaliation," she says in a study*.

"The situation is even more worrisome because most Americans, including evidently American policymakers, appear to believe that the American economy is open and that only other countries are guilty of protection."

Nissan, Japan's second largest carmaker, will halt production of US-bound luxury cars in the first 10 days of June, Reuter reports from Tokyo. A spokesman declined to say whether the decision to hold production of the three Infiniti models, cited on the US list of cars subject from June 28 to retrospective punitive tariffs, was related to the US threat. Nissan's US distribution network, with 150 outlets employing 3,300 workers, had inventories in the US sufficient for 60 days, the spokesman said.

However, the US has steadily raised trade barriers, through "voluntary" export restraints and anti-dumping and countervailing duty actions. These measures often harm US economic performance and reflect lobbying by powerful special interests, which increasingly shape trade policy.

"Much of the rhetoric about Japan, the 'unfairness' of trade and other justifications for bilateralism and protectionism originates from those seeking protection for their own narrow interests. Many of the allegations do not bear close scrutiny," Prof Krueger says.

She accuses the US of a "schizophrenic" attitude which supports multilateral trade liberalisation, while increasingly favouring unilateral measures to close its own market and prise open those of trading partners.

Prof Krueger does not refer specifically to the latest US-Japan trade dispute, in which Washington has threatened punitive tariffs on Japanese luxury car imports.

However, she strongly criticises other bilateral "market-opening" initiatives by the US, such as its 1986 semiconductor agreement with Japan. Such arrangements do not expand trade, but necessitate government-industry collusion and encourage US protectionism.

Prof Krueger also warns that Washington's policies could lead to an increasingly protectionist stance by Nafta. She calls on the US to strengthen its commitment to the WTO, eschew bilateralism, amend its trade remedy laws and ensure that regional trade arrangements comply with WTO rules.

**American Trade Policy: A Tragedy in the Making. By Anne O. Krueger. American Enterprise Institute, 1150 17th Street NW, Washington DC 20036. Tel: 202-862 5800.*

WORLD TRADE NEWS DIGEST

Boeing to delay Air France order

Air France said yesterday it had agreed with Boeing of the US to postpone aircraft orders because of the French carrier's financial difficulties. The US company will delay delivery of three Boeing 767s, three 737s and one 747 freighter. The aircraft were due for delivery this year and next.

The US manufacturer has also undertaken to organise the resale to a third party of a 767 aircraft which was delivered to Air France last year but never used. In return Air France has ordered 15 aircraft for delivery between 1999 and 2001. These include seven 767s and eight 737s. Air France has the right to replace this order with other Boeing aircraft if this is warranted by the company's recovery.

All Air France's options to buy Boeing aircraft have been allowed to lapse. The agreement follows the announcement in January by Mr Christian Blanc, Air France chairman, that the carrier would cancel options and orders for aircraft. The airline said yesterday it was still negotiating with Airbus Industrie, the European manufacturing consortium, over a rescheduling of aircraft orders. Air France said it hoped to announce shortly an agreement with Airbus similar to the one negotiated with Boeing. *Michael Skapinker, London*

Slovakia cuts import surcharge

Slovakia, embroiled in tough loan negotiations with the International Monetary Fund, will cut its overall import surcharge to 7.5 per cent from 10 per cent by the end of 1995, a government official said yesterday. Mr Jozef Mach added the government planned to eliminate the tax by the end of 1996 on condition that the balance of payments remained satisfactory.

The decision contrasts with the IMF's original request of a timely end to the blanket import tax. "The Slovak government considers the fact that the import surcharge will remain through to the end of this year as one of its biggest successes in its negotiations with [the] IMF," Mr Mach said.

The government and the IMF have been negotiating an accord on the country's spending plans and economic policies, which would clear the way for the third tranche of a stand-by loan to be released to support hard currency reserves. *Reuter, Bratislava*

Colombo seeks power investors

Sri Lanka yesterday said it was looking for private investors to play a leading role in a SLRs58bn ($1.2bn) foreign investment in the power sector over the next 10 years, a government official said. Since loan facilities from donor agencies such as the World Bank were limited, private enterprises would be drawn into the power generating network, said Mr Leslie Herath, Ceylon Electricity Board chairman. *Reuter, Colombo*

■ A consortium led by Impregilo of Italy had the lowest bid for the construction of a barrage and power channel at the Ghazi Barotha hydroelectric dam across the River Indus in Pakistan, a government official said yesterday. Impregilo's bid for the two contracts was about $505m, which was $300m lower than the originally projected cost. Bids for the contracts from six companies were opened on May 9. *Reuter, Islamabad*

■ SNC-Lavalin, Canada's biggest engineering and construction management group, will provide engineering, equipment supply and project supervision for Kazakhstan's $475m Aktyubinskneft plant to extract sulphur and gas from crude oil. *Robert Gibbens, Montreal*

Senior MPs back official line as Major says government will not give in to 'blackmail' on hostages

PM dismisses criticism of Bosnia policy

By Kevin Brown and Robert Peston

Mr John Major, the prime minister, yesterday mounted a strong defence of his decision to send a further 6,000 troops to Bosnia, and angrily rejected calls from Conservative MPs for a deal with the Bosnian Serbs to secure the release of British hostages.

Opening an emergency parliamentary debate on Bosnia, Mr Major said the extra troops would serve under UN command as part of the Unprofor protection force commanded by General Rupert Smith.

The deployment was given full support by Mr Tony Blair, leader of the opposition Labour party, and Mr Paddy Ashdown, leader of the Liberal Democrats. However, there were clear signs of unease among Conservative backbenchers.

Several expressed concern about the British commitment to Bosnia. Others, including Mr David Howell, chairman of the Commons foreign affairs committee, called for a relaxation of the arms embargo to help the Bosnian government forces to defend themselves against Bosnian Serb attacks. However, the government's approach was backed by most senior Conservatives, including Sir Tom King, a former defence secretary, and Sir John Stanley, a former defence minister.

Mr Major reacted sharply when one MP asked what the government was doing to get Nato to end aerial bombing of the Bosnian Serbs in exchange for the release of British hostages. Mr Major was cheered loudly by MPs on both sides as he snapped: "I yield to no one in my wish to have those troops safely returned to their units – but I am not entering into that sort of blackmailing deal."

Mr Major said the UN forces had saved many lives in Bosnia, and helped to check a wider Balkan conflagration that could have dragged in Albania, Bulgaria, Greece and Turkey with "disastrous" consequences for the whole of Europe. He said the taking of UN hostages was "a despicable act" without a shred of justification which would guarantee unremitting hostility to the Bosnian Serbs and condemn them to pariah status and international isolation.

"Bosnia is at a turning point. It must be made clear to the parties that, if they turned to all out war, the protection force would not remain. It would be unable to carry out its task, and the risks would be unacceptable," he said. Mr Major said withdrawal was not his objective. However, he said the government's "ability to handle withdrawal if it is forced upon us would undoubtedly be helped by this further deployment."

In a robust speech which clearly pleased the prime minister, Mr Blair said talk of withdrawal from Bosnia was "deeply unhelpful" and called for "firm resolve" against the "coercive blackmail" of the Bosnian Serbs. "We should not engage in any truck with them whatever in which the release of hostages is in return for a pledge never to use our air power. That would be a mistake."

He said the choice for the UK was clear. "Do we stay out and let the conflict be resolved by force, or do we become involved in order to give at least the chance for a diplomatic solution to be found. However long this conflict goes on that choice remains the same."

Mr Ashdown said the decision to send more troops was "a signal to the Serbs of our serious intent". He urged the US to commit ground troops.

Sir Edward Heath, the former Conservative prime minister, said it was "astonishing" that the UN had allowed more than 300 soldiers to be taken hostage, and warned that calls for a tougher stance on Bosnia would lead to full scale war. He said there was little danger that the conflict would spread beyond former Yugoslavia, and urged the government to consider using an outside negotiator to secure the release of the hostages.

Mr Tony Benn, the leftwing Labour MP, said the aims of the UN force were confused: "You cannot have British or French soldiers in blue berets acting as humanitarians and pilots in blue helmets bombing."

In the Lords, the UK parliament's upper house, Lord Owen, announcing he was standing down as the European Union's peace negotiator, said the only way forward for Bosnia was for the UN to be given "every possible assistance to sustain its presence on the basis of the impartial application of its humanitarian mission".

Lord Callaghan, the former Labour prime minister, said the UN should withdraw unless it could assemble an international force of 100,000. "The risks of escalation from the UN being there are greater than the risks of withdrawal," he said.

UK bank launches virtual shopping

By Paul Taylor in London

A "virtual shopping mall" – claimed to be the first in Britain in which customers will be able to make credit card purchases over the internet free from the threat of fraud – was launched yesterday by bank group Barclays.

Electronic shoppers who "visit" BarclaySquare using a personal computer and modem communications device will be able to visit and buy goods and services from eight retailers including food retailer J. Sainsbury, toy shop Toys 'R' Us, catalogue retailer Argos and Eurostar, the channel tunnel passenger train operator.

Shoppers will be able to use their computer mouse to "click" on the shop they wish to visit, browse through the items on display, select anything they wish to purchase and take it to a virtual checkout where they will be given the total cost and then key in their credit card number. Goods will be delivered to the customer's home.

Mr Tony Slater, director of sales and marketing at Barclays Merchant Services, Britain's largest processor of plastic card purchases, claimed yesterday that the development was a "breakthrough in secure electronic shopping".

Other electronic shopping malls are an established part of commercial online services, such as Prodigy, owned by Sears Roebuck and IBM, Compuserve, and America Online. Concern about security issues has limited their growth.

These concerns have been eased recently as software developers have begun designing encryption and other security features into their products. US companies have already launched a number of secure electronic malls including marketplaceMCI, the Internet Shopping Network and Access Market Square run by Utah-based InterConnect West.

BarclaySquare has been developed in conjunction with Interactive Telephony, a private Jersey-based company which operates Supernet, an embryonic online information service featuring a wide range of electronic information.

Barclays plans to expand the mall later this year.

● Fewer than 25 per cent of internet users are willing to make an online credit card purchase, according to a survey published yesterday by Dataquest, a US market research company.

Kevin Maxwell's 'larger role'

John Mason reports on the start of the trial of the tycoon's sons

Maxwell pension fund assets worth £122m ($191m) were fraudulently misused in an attempt to prop up desperately indebted companies controlled by Mr Robert Maxwell, the former publisher, it was alleged in London yesterday.

The claim was made by Mr Alan Suckling QC, opening the prosecution of Mr Kevin Maxwell and Mr Ian Maxwell, two of Mr Maxwell's sons, and Mr Larry Trachtenberg and Mr Robert Bunn, two of his former advisers.

The four men are all accused of conspiracy to defraud over the misuse of assets belonging to the Maxwell pension funds.

Kevin Maxwell, who is accused of playing a larger role in the fraud than his three co-defendants, faces two charges of conspiracy.

One alleges that he conspired with his father, Robert Maxwell, to defraud Maxwell pensioners over dealings in shares worth £100m in Scitex, an Israeli printing equipment company.

The other alleges that Kevin Maxwell conspired with Ian Maxwell, Mr Trachtenberg and Mr Bunn to defraud pensioners over their dealings in shares worth £22m in Teva, an Israeli pharmaceutical company.

All four men deny the charges brought against them.

At the start of the trial, expected to last at least six months, Mr Suckling gave the jury an outline of the case brought against the four defendants by the UK's Serious Fraud Office.

"This case concerns the misuse of assets of pension funds. In the second half of 1991, the group of companies controlled by the late Robert Maxwell was in debt and in increasing financial difficulties," he said.

Robert and Kevin Maxwell agreed to use the Scitex shares to help privately owned Maxwell companies which were in a "perilous" financial position, he said.

The shares, which belonged to the pension funds, were used to pay debts of these companies. The pension funds were never repaid, he said.

"The agreement to use the Scitex shares in this way was dishonest and a fraud upon the pensioners," Mr Suckling told the court.

In November 1991, after the death of Mr Robert Maxwell, the position of the Maxwell companies was "desperate", he said.

The Teva shares were then used to borrow money from National Westminster Bank to meet pressing debts and to try and prevent the collapse of the Maxwell companies, he said.

"All four defendants agreed to use the shares in this way. This was dishonest and a fraud upon the pensioners," Mr Suckling told the court.

Mr Suckling then gave the jury a description of the structure of the Maxwell business empire.

This included publicly quoted companies such as Maxwell Communication Corporation and Mirror Group Newspapers, and unlisted companies such as the Robert Maxwell Group (RMG) which owned the European and New York Daily News newspapers.

Mr Suckling decribed how the pension funds and associated pension trustee companies were operated.

Many funds pooled their assets into the Common Investment Fund managed by Bishopsgate Investment Management (BIM), he said.

Outlining the role played in the alleged fraud by Robert Maxwell, Mr Suckling said he was a director of most of the listed and unlisted companies and the pension trustee companies.

"He was, you may conclude, the driving force and exercised dominant control in the group and the operation of the pension funds," Mr Suckling told the jury.

Kevin Maxwell was a director of a number of companies including four of the pension trustee companies and BIM.

"Although he worked under the dominant control of his father he was closely involved in the financial affairs of the group. In the second half of 1991 he dealt on a daily basis with banks that lent to the group," Mr Suckling said.

"Of the defendants, he was the one most responsible for the misuse of pension funds assets," he continued.

Mr Bunn, a chartered accountant, had been deputy managing director of RMG and until late 1990, a director of BIM.

Larry Trachtenberg had been a director of various Maxwell companies and had been originally responsible for fund management.

In September 1991 he became a director of BIM and later of RMG.

Ian Maxwell was a director of several companies, pension fund trust companies and BIM.

The trial was adjourned until today.

The charges in full

By John Mason, Law Courts Correspondent

Count One. Conspiracy to defraud. Kevin Francis Herbert Maxwell, between the 3 July 1991 and 6 November 1991, conspired with Robert Maxwell to defraud the trustees and beneficiaries of the pension schemes that participated in the Common Investment Fund managed by Bishopsgate Investment Management Limited (BIM) as investment trustee by dishonestly putting at risk 5,400,000 shares in Scitex Corporation Limited (the shareholding), which formed part of the assets of the pension schemes by using them for the purpose of Robert Maxwell Group plc (RMG).

This conspiracy is evidenced by the following acts: 1) In August 1991, depositing part of the shareholding with National Westminster Bank plc and leaving it there to secure overdrafts of RMG with the said bank until the shareholding was sold; 2) Selling the shareholding and applying the proceeds of sale to the benefit of RMG.

Count Two. Conspiracy to defraud. Kevin Francis Herbert Maxwell, Robert Henry Bunn, Larry Steven Trachtenberg and Ian Robert Charles Maxwell, between 5 and 21 November 1991, conspired together to defraud the trustees and beneficiaries of the pension schemes that participated in the Common Investment Fund managed by Bishopsgate Investment Management Limited as investment trustee by dishonestly putting at risk 25,196,228 shares in Teva Pharmaceutical Industries Limited (the shares), which formed part of the assets of the pension schemes by using them for the purposes of the Robert Maxwell Group plc (RMG).

This conspiracy is evidenced by the following acts: 1) Granting to National Westminster Bank plc (the bank) a charge over the shares; 2) Delivering the shares to the bank as security for credit facilities granted by the bank to RMG. 3) Signing and delivering to the bank two stock transfer forms in respect of shares dated 15 November 1991.

Recession the great leveller as regional income gap narrows

By Robert Chote, Economics Correspondent

The gap between Britain's richest and poorest regions is smaller than at any time for at least 30 years, as south east England struggles to maintain its lead over the rest of the country after bearing the brunt of the last recession.

The Central Statistical Office yesterday published regional economic accounts for the UK which showed personal disposable incomes per head in the south east have been falling steadily towards the national average since the heady days of the 1988 boom.

Personal disposable income per head in the south-east totalled £8,702 ($13,662) a year in 1993, compared to a national average of £7,942 and the lowest figure of £7,189 in Wales. Incomes in the south-east were 14 per cent above the national average in 1988 but less than 10 per cent above average by 1993.

Incomes in Greater London, the rest of south-east England and the East Midlands have all fallen relative to the national average in the last four or five years, while the West Midlands, and East Anglia in the east, have enjoyed increases consistently since the early 1980s. Scotland, Wales, Northern Ireland and the north and north-west of England all slipped back during the mid 1980s, but gained ground on the national average in the late 1980s and early 1990s.

The changes in fortune are bigger still when regional trends are broken down into smaller areas. Surrey, south of London, for example, remained Britain's richest county in 1992 with income per head of £11,550. This was 26 per cent above the national average, compared to a lead of 43 per cent four years earlier.

The biggest advances were in two northern English counties: Northumberland, where income grew from 90 per cent of the national average in 1988 to 99 per cent in 1992, and Tayside, where it jumped from 95 to 105 per cent in the same period. Britain's poorest county in 1992 was Mid-Glamorgan in Wales, with disposable income per head of £7,302. Incomes in Northern Ireland as a whole were £7,625 a head.

The composition of incomes also varied widely from region to region, with wages and salaries accounting for 61 per cent in Greater London but 51 per cent in Wales in 1993.

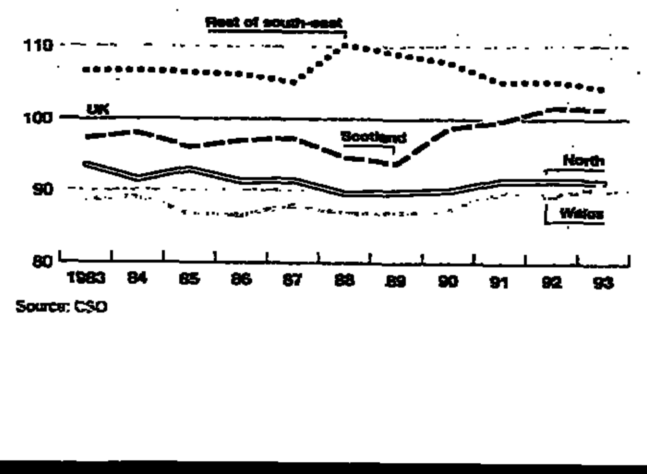
Social security benefits made up an eighth of household incomes in Northern Ireland, compared to only a twelfth in the UK as a whole. This is partly because a quarter of the Northern Irish population are children under 16 compared to about a fifth in the rest of the UK.

Regional differences in consumer spending reflect geographical variations in income. Spending in the south-east averaged £8,053 per head in 1993, 15 per cent above the national average. Expenditure per head was £7,085 in England, £6,607 in Scotland, £6,286 in Wales and £5,926 in Northern Ireland.

South-east England accounted for 35 per cent of personal incomes in the UK as a whole in 1993, though it had only 30 per cent of the country's population.

Regional wealth gap narrows

Personal disposable income. Per head, UK=100



Source: CSO

UK NEWS DIGEST

EDS wins large share of state IT contracts

The Department of Social Security has awarded a series of information technology outsourcing contracts worth a total of £813m ($1.28bn) to three computer services companies. The contracts have gone to Electronic Data Systems, the US-based computer services group, Sema Group, the Franco-British company and ICL, the UK-based computer and computer services company which is majority owned by Fujitsu of Japan. Under a 10-year contract EDS will take over operation of the four DSS area computer centres in Lancashire; Washington, Tyne and Wear; Livingston, near Edinburgh, and Swindon in southern England. Sema will provide and support data and telecommunication networks for customers in Scotland and the north and south of England. ICL will provide similar services in Northern Ireland, Wales and central in England, as well as a range of management functions. About 1,600 staff will transfer to the outsourcing companies. The agreements maintain their present employment terms. The DSS expects to save up to 30 per cent over the first three years of the contract compared to present costs. The contracts are the latest in a series of moves by central government to cut costs by outsourcing operations. *Paul Taylor*

Openness on nuclear waste urged

The process by which the UK decides where to store long-term nuclear waste is opaque and flawed, according to the government's chief adviser on radioactive waste management. Sir John Knill, chairman of the Radioactive Waste Management Advisory Committee, said a more open system would inspire greater public confidence. "We want complete transparency," he said, noting that countries such as Sweden and Finland were totally open about where they planned to store waste with the result that communities were much more willing to become storage sites. Sir John was directing his remarks at UK Nirex, the company set up by the UK nuclear industry to build a long-term nuclear waste deep store. Nirex is seeking permission to drill an experimental "rock lab" beside the Sellafield nuclear reprocessing facility, but has run into opposition from Cumbria county council. Sir John said Nirex had only recently disclosed that the Sellafield site was not among the 500 potential sites it had identified in the 1980s. It was later added to a shortlist of 11 sites. UK Nirex said the company was under no legal obligation to publish full site details, and it was not convinced that doing so would serve a useful purpose. *David Lascelles, Resources Editor*

US company wins name game

A multi-purpose indoor arena, said to be the largest in Europe, is to be known as the "NYNEX arena Manchester" when it opens in the northern English city next month. Nynex CableComms, the US-owned cable communications company, is to sponsor the arena for five years. The largest venue of its kind in Europe, it was built with £37m ($58m) of UK government money as part of Manchester's failed bid for the 2000 Olympic Games. Nynex is thought to have paid more than £1m to beat off six competitors. The typographical style of the arena's logo ensures "NYNEX" dominates in capital letters, with the lowercase "arena" the second largest word and "Manchester" the smallest. A member of the city's Olympic and Commonwealth Games bid team said: "Reducing the name of Manchester to third fiddle will not impress everyone, but there's about as much chance of the public calling the place the Nynex arena as there is of them calling the Oval cricket ground the Foster's Oval." Nynex retorted that the Oval, in south London, was more than 100 years old when its sponsor tried to change its name. Nynex was starting from scratch. *Ian Hamilton Fazey*

Road death toll drops

The number of deaths on British roads last year fell to the lowest level since records began in 1926, the Department of Transport said. Statistics showed there were 3,650 deaths compared with 3,814 in 1993. However, child and pedestrian casualty rates rose and the total number of casualties, at 315,189, increased by 3 per cent. There were 46,531 serious injuries and 265,008 slight injuries – both up 3 per cent on 1993. Child casualties rose 6 per cent to 45,151. Car user casualties rose 4 per cent to 195,109 while car traffic increased by 2 per cent. There were 1,764 car user deaths – about the same as 1993 – and 22,127 serious injuries, a 5 per cent increase. The department still has some way to go to achieve its aim of reducing total road casualties by one-third by 2000 compared with the 1981-85 average. Although fatalities are now 35 per cent below that average, all casualties are just 2 per cent below. The department attributes the lessening of the severity of accidents to campaigns on road safety, vehicle design and traffic-calming measures. *PA News*

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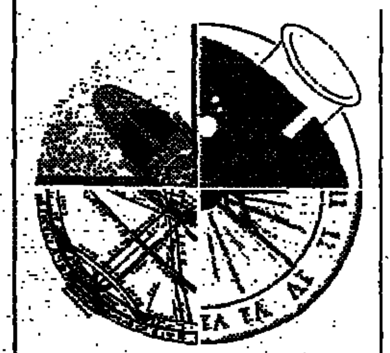
TECHNOLOGY

Worth Watching · Vanessa Houlder



A place where the grass grows slower

A Canberra-based scientist has come to the rescue of reluctant gardeners by developing a compound that could sharply cut the time spent mowing the lawn.

Professor Lewis Mander of the Australian National University has modified a plant growth hormone, called gibberellic acid, to produce a substance that slows the growth of grass down to a third of its normal rate. The agent is being tested prior to its commercial development.

Professor Mander has won the Royal Society of Chemistry's 1994 Industrial Award for synthetic organic chemistry.

Australian National University: Australia, tel 62493761; fax 62495995

Diamond wafer takes the heat off

Among the many qualities of diamonds is their exceptional ability to conduct heat: German scientists have used this quality to design diamond wafers that cool high-performance chips and opto-electronic components such as diode lasers.

The Fraunhofer Institute for Applied Solid State Physics in Freiburg has developed a technique using chemical vapour deposition to create diamond wafers. These can be directly connected to the surface of the electronic component, allowing its heat to be rapidly spread.

Fraunhofer Institute for Applied Solid State Physics: Germany, tel 7615159350; fax 7615159400.

From the chicken to the egg

Scientists in the UK and Switzerland are developing an alternative to animal testing for assessing the toxicity of organophosphate chemicals. These chemicals can inflict long-term damage to the nervous systems of people, such as farm workers, who have prolonged exposure to them.

Tests on the toxicity of organophosphate-type chemicals usually involve using live chickens. But scientists at the University of Hertfordshire, in conjunction with the Swiss Institute for Alternatives to Animal Testing, have developed an alternative test that uses cultures of neural cells from chicken eggs.

The effectiveness of the technique is being assessed with a view to offering it for industrial use in 18 months' time.

University of Hertfordshire: UK, tel (0)1707 284022; fax (0)1707 284738.

Hairy discovery for drug users

Researchers are developing new ways of testing for drugs in hair samples as an alternative to analysing urine or blood specimens. Tricho-Tech, a Cardiff-based business, is developing assays for barbiturates and cannabis to add to its battery of hair analysis techniques.

Drugs can be detected in hair because any drugs that are taken get incorporated into the hair shaft and remain in the hair as it grows.

Compared with urine analysis, hair analysis can provide a better guide to the level and frequency of drug use over time and makes the intermittent use of drugs difficult to conceal.

Tricho-Tech: UK, tel (0)1222 682051; fax (0)1222 759129.

Have modem, will travel

International travellers who use PCs often have difficulty in getting their modems to work with other countries' telephone networks.

TDK, the Japanese electronic component company, has launched a credit card-sized modem which has been approved across Europe and the US. It includes adapters that will connect it to most European phone sockets. The modem, which costs £399, is available from PPCP, a specialist peripherals supplier.

PPCP: UK, tel (0)181 8932277; fax (0)181 8931182.

To cut waiting times and widen access to treatment, doctors in a pilot scheme in the UK examine patients via computer link

Onscreen healthcare

Medical attention via computer or video link is gaining momentum in the US, reports **Victoria Griffith**

In Kansas, a diabetic woman talks to a nurse via her living room television about her recommended dose of medicine for the day. At a clinic in the rural town of McAllen, Texas, a little boy participates in a post-surgery consultation with his Houston neurologist via video conference. In the suburbs of Washington DC, army doctors use robotics to perform surgery on animals 500 yards away, in the hope that one day they will be able to operate long-distance on humans.

These are examples of telemedicine, which allows doctors to examine and treat patients via computer or video link. Its use is gaining momentum in the US, where about 50 telemedicine projects are under way, up from just four in 1990. Most are financed by research foundations and the federal government. Yet the private sector is starting to take more initiative.

On May 1, GE Medical Systems formed alliances with BellSouth, Ameritech, US West, Bell Atlantic and Nynex to build telemedicine networks around the country. Later in the month, Southwestern Bell, GTE, AT&T, ALLTEL Missouri and Northeast Missouri Rural Telephone Co announced plans to construct a digital network linking Missouri hospitals for telemedicine.

Although its use is more widespread in the US, telecommunications operators in Europe, such as Deutsche Telekom and British Telecom, are developing systems. In the UK, a trial dermatology project involving nine public-sector doctors is under way using BT's PC Videophone equipment and IBM software. Doctors can examine stills and moving pictures of patients. The aim is to cut waiting and travelling times and to widen access to treatment.

Richard Satava, a doctor at the Walter Reed Medical Centre for the US Army, says: "I can foresee the use of health kiosks, which would allow you to type in a description of your symptoms, and receive back a list of possible ailments, with a percentage chance for each one, and some suggestions for treatment. This might even be available on the Internet."

Holograms might one day replace the television monitors used for video conferencing, to enhance the effect of the physician being present in the room.

Manipulation devices could soon merge telemedicine with virtual reality to allow doctors to touch patients who are not in the room with them.

Long-distance surgery, on the other hand, is probably a more distant dream. "I think most people would not feel comfortable in an operation room with an absent surgeon," said Douglas Perednia, director of telemedicine research at the Oregon Health Sciences University. "There are something things that will probably continue to be done in person."

For the time being, the telemedical focus is on video conferencing. Projects in the US use video links to reach patients in remote areas and allow physicians to consult specialists in other hospitals. In nearly all the projects, a patient must go to a clinic for the video connection.

Home healthcare, however, is a new area of focus. One Kansas project, sponsored by the newly formed company Innovative Health, provides video conferencing for chronically ill patients. The television monitor is switched on automatically several times a day in patients' homes for a remote consultation with a nurse or doctor.

Some video links have even been international, as patients in Saudi Arabia, Norway and other countries consult US physicians through a satellite link-up. In fact telemedicine, some observers believe, may eventually allow the US to "export" its healthcare services.

Driving the movement is a need to control the high price of medical treatment in the US.

"Telemedicine offers an important way of containing costs," says Yadin David, a doctor of biomedical engineering for the Texas Children's Hospital. One study by the consulting group Arthur D Little a few years ago estimated that widespread use of telemedicine could save the health industry $36bn (£23bn) a year.

"We can provide nurse consultations three times a day for $40 a day," said Linda Roman, president of Innovative Health. "That's compared to $80 a day for an in-home nurse visit."

Another factor driving telemedicine is the fall in costs for the technology. Equipment priced at around $150,000 five years ago is now around $20,000, for example. And smaller, cheaper dishes, moreover, may allow more teleconferencing to take place via satellite.

But telemedicine faces formidable barriers to growth as well. Some fear that congressional cost-cutting will soon eliminate federal support for telemedicine programmes. Unless the private sector takes over the movement could slow down.

Another issue of concern is reimbursement. Few insurance companies have set up mechanisms for telemedicine reimbursement, and federal health programmes such as Medicare and Medicaid are also unclear on the issue. "The fact that tele-radiology took off after it became reimbursable by law from Medicare shows how potent this issue is," said Jonathon Linkous, director of the American Telemedicine Association.

Malpractice is also a concern. "There is always the fear that someone could say the doctor got it wrong because he couldn't see a skin spot or hear a heartbeat clearly enough," said Neal Newberger, senior partner at the consulting firm Centre for Public Service Communications.

These issues, however, may be addressed in the near future. One company, md/TV, is working on sophisticated technology that would provide crystal clear digital images to physicians working by video conference. And a number of bills now before Congress would resolve issues such as reimbursement and cross-state licensing for physicians.

Medical attention could soon be no further away than the touch of a television button, or a consultation by the family personal computer.

Belleli's clean steam

They are used to designing and building complex pieces of equipment at Belleli, the Italian engineering contractor, but its latest product, a complex 700-tonne mass of pipes and tubes, beats the lot.

It's called a radiant cooler steam generator, and is the first commercial result of a new technology which is likely to play a big part in the development of Integrated Gasification Combined Cycle, one of several promising "clean coal" power generation processes.

The $10m (£6.3m) machine is being transported from Belleli's Mantua factory to the US, where it will be installed at a 260MW IGCC power plant at Tampa, the first to be built in the US on a commercial scale.

The low-emission IGCC process involves turning coal into gas, purifying it and using the gas to run a gas turbine. In conventional combined cycle, the waste heat from the gas turbine is used to power a steam turbine too, but in the Tampa plant the main source of steam will be the Belleli machine.

Basically, in a giant high pressure boiler, the radiant cooler steam generator will form the vital link between the gasifier and the gas purification process. Its task sounds simple – to recover the heat from the gas that comes out of the gasifier at 1,500°C and turn it into steam.

The problem, says Joachim Wilhelm, Belleli's technology chief, is that the gas contains all the impurities of the original coal, including molten slag, hydrogen and some highly corrosive contaminants. This makes it much harder to recover the energy from the heat when using the traditional cooling method, quenching with water.

Belleli's response is a machine capable of simultaneously withstanding high temperatures and pressures, along with the contaminants. Steam recovery is improved sharply, and that leads to a big increase in the efficiency of the system, says Wilhelm.

Andrew Baxter

If you let Shell have its way, it'll soon be the only shell left in the North Sea.

An appeal to the shareholders of the Royal Dutch Petroleum Company
and the Shell Transport and Trading Company P.L.C.

Old newspapers, empty bottles, used drink cans. You know exactly what to do with them. Shell also knows what should be done with its waste, but is opting for a different course of action. It is taking the easy way out: dumping it in the North Sea.

Shell has decided to sink the contaminated off-shore oil rig 'Brent Spar', which is situated off the west coast of Scotland. According to Shell, the rig contains over 100 tons of oil sludge polluted with toxic chemicals, and 30 tons of low-level radioactive waste. Dumping the Brent Spar would set a precedent: there are more than 400 oil rigs in the North Sea which, if dumped, would seriously endanger the entire marine environment. Sinking oil rigs contravenes the international conventions which aim to prevent the further pollution of the oceans. Yet Shell UK is still being allowed to dump the Brent Spar.

And everyone knows, including Shell, that there is an excellent alternative -dismantling the rig and treating the waste on land. Part of the rig can even be reused or recycled. A company which says it cares about the environment must choose the most environmentally-friendly solution and not saddle future generations with the problem.

Greenpeace activists occupied the Brent Spar from 30 April, in order to prevent it being dumped. The protest has received enormous public and political support. The European Union's Environment Commissioner, the European Parliament, the Danish, Belgian and Icelandic governments, and the opposition parties in the UK have all denounced the sinking. As have many of the company's Dutch shareholders. Denmark has put an item on the agenda of the Conference of North Sea Ministers which is being held in the Danish town of Esbjerg this month, demanding a ban on the dumping of off-shore installations.

All of this has, however, not yet convinced the British Government that it should reverse its decision. Nor is Shell willing to change its plans. During the recent shareholders' meeting, the company evaded all questions on the Brent Spar affair. What's more, the company has had the Greenpeace activists forcibly removed from the rig.

We are doing all we can to prevent oil rigs being dumped. You, as a shareholder, can also do something: send a fax like the one shown here to Shell, and send a copy to Greenpeace Netherlands (fax: 00-31-20-622-1272). Support Greenpeace in its fight for clean oceans!

GREENPEACE

Save Our Seas

FACSIMILE

Date: ____________
Fax: 00-31-70-377-4848
To: Royal Dutch Petroleum Company
Attention of: Mr. C.A.J. Herkströter, Chairman
From: ____________
Company: ____________
Position: ____________

Dear Mr. Herkströter,

Sinking disused oil rigs like the Brent Spar will endanger our oceans. Toxic chemicals spilling from the rigs will disperse in the water, threatening the environment and all marine and human life.

As a shareholder in the Royal Dutch Petroleum Company, I am asking you not to sink the Brent Spar or any other Shell oil rig in the sea, but to dismantle them on land.

Yours sincerely,

هكذا من الاصل

ARTS

Cinema/Nigel Andrews

Surviving in the 'serious' nineties

Alfred Hitchcock once said he had only one important piece of advice for young filmmakers: "Stay out of jail." Yet was there ever a movie generation more in love than ours with the charm of damnation: with that voluptuous, eternal cycle of moral error and mortal come-uppance?

From America come *Somebody To Love* and *Kiss Of Death*, from Britain *Mad Dogs And Englishman*: three films about young people at criminal crisis point. They live in a world where survival is a series of flaming hoops: drugs, lawbreaking, violence, jail. Even if you jump through them and live you are singed forever, and you will almost certainly leave behind your nearest and dearest.

The most startling – and interesting – thing about these films is their seriousness. Is post-modernism dead? After years of deconstructive fun with De Palma and Tarantino, are we now warming our hands before the true flames of hell?

If so, the auspices are mixed. *Kiss Of Death* is directed by a Barbet Schroeder who has clearly lost or discarded the sense of ludic malice that redeemed *Reversal Of Fortune*. *Somebody To Love* is written and directed at solemn fever pitch by Alexandre Rockwell, who last gave us the blithe movie-making spoof *In The Soup*. And *Mad Dogs And Englishman* is – well, we cannot say it is not funny, but it is not *intentionally* funny.

This is the feature debut of Henry Cole, a British ex-heroin addict from what the media call a "comfortable background". He and screenwriter Tim Sewell obviously wanted to say important things about love, drugs and the English class system in this tale of smack-addicted Antonia (Elizabeth Hurley) and the three-way tug of war for her soul by the men in her life.

Toffee-nosed aristo Jeremy Brett keeps her in drugs. American boyfriend C. Thomas Howell – long hair and leather – keeps her in love, or tries to. And Inspector Joss Ackland of the Drugs Squad, a man of few words and all of them delivered in a voice like putrefying broth, keeps her in fear of her life and virtue. We know he is interchangeable with the gang-

MAD DOGS AND ENGLISHMEN
Henry Cole

KISS OF DEATH
Barbet Schroeder

SOMEBODY TO LOVE
Alexandre Rockwell

BYE BYE LOVE
Sam Weisman

land barons he pursues; and that he wants to vent his frustrated incestuous feelings for his daughter (a passing subplot) by raping our heroine.

Hurley goes through the film with a look that mixes arrogance and shellshock. Both seem appropriate responses. This ragged melodrama offers trite psychologising and triter sociologising. It was because her Daddy didn't loved her, we learn, that she hit the heroin trail. And it is because Britain is torn in twain by class and jealousy, implies Cole, that we are all shoving white powder up our noses or heating subtle poisons over a low flame.

Mad Dogs is a sermon that could have saved itself by being a black comedy. *Kiss Of Death*, showcased at Cannes and opening here next week, is a *film noir* that would drown in its own frowns but for one great performance.

Nicolas Cage is dazzling as Little Junior, the psychopath played in the original 1947 movie by Richard Widmark. The hangdog comic star of *Raising Arizona* and *Honeymoon In Las Vegas* has transformed himself into a track-suited hulk. Truck-wide shoulders; a scowling beard; a voice, at once menacing and faintly gaga, that comes from some echo chamber in hell. To pump his muscles he lifts nightclub girls instead of barbells. Preparing to beat an enemy to death, he dons a sou'wester to keep off the blood. And he introduces himself to hero David Caruso with his own huskily lunatic acronym: "B.A.D. – balls, attitude, direction."

Every time Cage is on screen we hear the crackle of a histrionic gunpowder trail. Will be blow? When? How? As soon as he is off-screen, the plot about a reformed car thief (Caruso) steering a survival course between the cops and the mob, with the Feds trying to make a threesome, reverts to *noir* solemnity. Caruso underplays to the point of catalepsy. Schroeder searches for a style. And Richard Price's script makes a companion piece to his last Widmark remake *Night And The City*. Once more self-conscious doom washes over a plot that manages to be both complicated and predictable.

The third new movie with a shades-of-the-prisonhouse plot is *Somebody To Love*. Aspiring actress Rosie Perez loves barfly and bit-part actor Harvey Keitel but needs $10,000 to pay off Keitel's wife. Michael De Lorenzo, a young Mexican innocent, falls in love with Miss P and vows to get the money from the local Mr Big (*Anthony Quinn*). In return Quinn will require him to shoot someone.

We are not surprised that it ends in a sticky mess. We are more alarmed that it begins and continues in a sticky mess. Writer-director Alexandre Rockwell, hearing today's apparently universal movie summons "Go Serious", has prepared his plot with all the concentration of a pizza chef determined to omit no topping.

The dialogue is delivered with frantic piquancy by the extraordinary-voiced Perez: an actress who must gargle every morning with Tequila and chili powder. Tomato puree is liberally sprinkled over the victims of violence. And ethnic seasoning is abundant in the Spanish-Italian-Mexican cast. Throw in also – while the condiments are passing – guest appearances by directors Sam Fuller and yes, Quentin Tarantino.

The result is both indigestible and self-cancelling. Tarantino himself rendered the over-earnest underworld thriller redundant with *Pulp Fiction*, a film whose art lay in revealing art. It unpeeled narrative convention and questioned orthodox moral reflex. *Somebody To Love* offers no more than a feminist twist on an old, old cliche. This time it is the woman who can be saved by the love of a good man.

*

We shall all weep copiously, of course, if post-modernism is dead. It was such fun. But perhaps it was only ever a means to an end: a way to deride and dissect aesthetic conventions so we can all move on to a higher seriousness.

Or to films like Sam Weisman's *Bye Bye Love*. Can a comedy suffer from portentousness? Yes, if made by modern America's Legion for Feelgood Decency. That body does not actually exist, but if it did it would surely have sponsored this tale of three divorced fathers (Matthew Modine, Randy Quaid, Paul Weiser) trying to bond with their children while buddying, mercilessly, with each other.

This is one of those comedies where every time someone makes a joke the damage is quickly repaired by a moment of glutinous sentimentality.

Rosie Perez and Michael De Lorenzo in 'Somebody to Love'. Inset: Elizabeth Hurley is shellshocked

Dance

Ten dancers' folly

The evening began with a male dancer hanging from a grey bit of scenery. He then walked to the front of the stage and vomited. What did he know that we didn't? Was this precognition? Criticism? A quaint Dutch warning? All of these, it turns out, as the Ten Dancers Ensemble from Holland began a brief season in Rosebery Avenue on Tuesday night.

The 10 dancers are members of Nederlands Dans Theatre (prop: Jiri Kylian) who have ganged up to show the world dances that they have concocted. The choreographers – a word I use with some reluctance in these circumstances – are Paul Lightfoot, Jorma Elo, Johan Inger, but there is little to distinguish the work of one from the others.

They each propose movement irrational, vulgar, undisciplined, based upon the same tedious premises about human behaviour (as neurotic, ungenerous, combative) and cast in the same post-Kylian mode of predictable cramps and flexings of torso and limbs.

Imitation may be the sincerest form of flattery; it is the insincerest form of creativity. One of the most depressing things about this car-boot sale of dance is the fact that the performers (and notably the women) are well-trained. Not, though, that this counts for much in works whose purpose is hidden and whose ineptitude is not.

The evening brings, of course, its collection of shouts and cries. Two mad youths, got up as samurai, mince through the stalls telling us to settle down. The dances are ridden with gimmicks: at various moments in the evening there is a shower of soap bubbles; a leaflet raid of teeny pieces of paper bearing the words "Life could be a dream" ("But not here, Buster", is the answer to that one), and a fall of dust upon a couple who have lately been involved in what they think is copulation. Hands, toes, buttocks are bitten.

The women have access to dull frocks. The men are most often in underpants, though one chap appears in the nude, albeit armed with a small saucepan. The steps are of that foolish kind which have to be decked with such stupidities as mask for inadequacy. As a view of the new or the questioning in choreography, the programme is a miserable deception, with posturing and pretension its crimes.

Significantly, the final piece of the evening is by Kylian: his *Sechs Tanze* using Mozart's bucolic German dances. Four couples are shown, inevitably, in white baroque undress. They behave with that monumental roguishness (powder flying from whitened wigs; skirts pulled and used as masks; flailing limbs) which passes for humour *chez* NDT.

Here is the mother-lode from which Kylian's disciples mine their lumpen offerings. They should be discouraged from further delving. And Sadler's Wells should be discouraged from harbouring such dismal affairs.

Clement Crisp

Opera/Richard Fairman

Billy Budd shows strength

On the quiet the Royal Opera has instigated a double-handed policy for renewing its repertoire over the past season or two: the company pays to put on new productions of popular operas itself, while it begs or borrows rarities from abroad. If only some of the latter had not turned out to be such miserable efforts, it would have been a foolproof plan.

How mistakes can be made when the productions have presumably been evaluated at leisure in their original theatres is a mystery which need not detain us now. The important thing is that this new *Billy Budd*, first seen in Geneva last year, is a strong evening which gives co-productions a better name. The props and costumes have been hired from the Théâtre National de Paris, which now owns them (how complicated international opera can be) but the spirit of the production seems to have passed through the border controls intact.

From its premiere at Covent Garden in 1951, *Billy Budd* acquired a reputation as a difficult, rather gloomy opera, which it has taken the best part of half a century to shake off. Standing apart from it for a few years, one can see how negative feelings arise, but as soon as it turns up in the theatre again, its impact sends the audience out reeling. The story is brutally straightforward, as highly charged with tension as the best nail-biting courtroom drama, and has at its heart a moral dilemma of which any Greek tragedy would be proud.

Apart from a few ancillary scenes involving the ships' officers, Britten tells the story with a matching musical directness and a sense of menace that wells up from the bass instruments of the orchestra like a tide of evil swelling up below. In short, the opera is far better made than its reputation suggests and it is rare to come across a production that fails to get it to work – certainly not those seen in our national companies in Britain in recent years or this one of the original four-act version from Geneva, produced by Francesca Zambello and designed by Alison Chitty.

It seems fairly certain that Britten will have envisaged the opera in a naturalistic setting, but it lends itself easily to the spare stagings favoured by the producers of the 1990s. Zambello restricts herself to a movable grey platform as the heaving deck of the ship, surrounded by an abstract sea of blue. When it comes to marshalling the crowd scenes, she proves to be an effective captain of her own crew and the big moments are mostly well staged, especially Billy Budd's hanging from the yard-arm, which must be among the most realistic yet.

At the curtain calls Zambello had to clamber up on stage through a trap-door in the floor, which is a remarkably ungainly entrance to give oneself at Covent Garden. For her sure handling of the drama she deserves better, notwithstanding those occasions when she cannot resist shouting at us the unspoken. To have Billy Budd, Captain Vere and Claggart circling each other in a triangle of sexual desire, a theme so carefully kept below decks by Britten, is the opera producer's equivalent of switching on the flashing Durex signs.

In the title role the baritone Rodney Gilfry has travelled with her from Geneva. Tall, blond, youthful, he is an all-American Billy Budd, like Theodor Uppman who first sang the role, a crucial asset to Zambello's production, even if he would benefit from some extra power vocally in the early scenes. Graham Clark craved indulgence for a throat infection, but I am not convinced that his piercing tenor would have the right kind of authority for Captain Vere even at full strength.

Of the central trio, it was John Tomlinson's Claggart which held one's attention rivetted, to the self-conscious stiffness of the gait, to the guilty far-away stare of the eyes, to the dangerous voltage which he radiated in the direction of anybody who looked his way. This was a disciplined portrayal, strongly sung, never overstepping the boundary into melodrama. Among the rest of the cast Gidon Saks was outstanding as Mr Flint. John Connell made a natural, wise Dansker, David Wilson-Johnson a bumbling Mr Redburn and Mark Tucker a touching Novice.

Robert Spano was the conductor, not a Solti in winding up the tension or a Britten in demanding spick-and-span ensemble, but a broadly effective purveyor of the score. All told, this *Billy Budd* is worth catching before the production sails off to its next port of call in Paris.

Production sponsored by The Friends of Covent Garden and The Britten Estate Ltd.

Theatre/Alastair Macaulay

The Fire Raisers

It is good to see Max Frisch's black comedy and political satire, *The Fire Raisers* (*Biedermann und die Brandstifter*, 1958) once in a while. Especially now, amid the spate of V.E.-related drama. For the absurd tale that *The Fire Raisers* tells is also a clunking great metaphor.

Though Lenka Udovicki's staging at the Riverside (translation by Michael Bullock) is in modern dress, it is easy to feel it is all about the gruesome tale of Germany in the 1930s. But Frisch was probably more concerned with depicting the communist takeover of Czechoslavakia. (And when the play was last seen in London, in a fringe production in 1990, it seemed strangely close to the poll tax riot that had occurred only days before.) Brilliantly, Frisch treats his political theme as a big black joke.

Arson is happening all round the city; Gottlieb Biedermann takes two strangers into his house who make little secret of their prison record and their petrol stores; and yet Gottlieb entertains them, shelters them, plays their games.

He, Gottlieb, is a heartless capitalist fraud at work, but a sophisticated liberal at home. Cruelly exploitative of his employees, he is a pandering ninny to the affable demands of his arsonist guests. He not only refuses to believe they are fire-raisers even when they tell him to his face, he even gives them the matches whereby – as is obvious to everyone else – they will blow up his own house, himself, his family and the whole city.

And that's only Part One. Part Two is after death. Gottlieb and Babette Biedermann are not sure where they are. Everything is different, but they can recognise their own furniture. Will they be punished for their sins? In particular, for handing the matches to the arsonists? There are devils and angels, but they discover that neither heaven nor hell is properly functional any more. In heaven, all killers who wore uniform for their killings are being forgiven; meanwhile the firemen manage at last to extinguish hell. Nothing has come to an end, and life will carry on.

As this grim but absurd metaphor for moral life under a totalitarian regime proceeds, Frisch keeps on nailing his political satire into place. Really, *The Fire Raisers* makes one big simple point and goes on making it, but it does it so wittily that it never insults your intelligence. It keeps deepening its theme and entertaining its audience at the same time.

Udovicki's staging – like too much we have seen at Riverside Studios during this Redgrave season – feels under-rehearsed. The style of *The Fire Raisers* is tricky to gauge: so ironic on the one hand, so melodramatic on the other. Everyone here chooses to underplay it: very welcome. But timing is sometimes slack, some cues get muffed, and the excellent Malcolm Tierney and Frances de la Tour, as Gottlieb and Babette Biedermann, could be a lot *more* excellent.

Same goes for all the supporting cast; everything could/should be tighter. But every performance is amusing and interesting; de la Tour's *belle laide* sophistication has, here as often elsewhere, something haunting about it; and everyone involved works to reveal the play. *The Fire Raisers* is not a play that should be revived more often; its kind of absurdist expressionism would be exhausting were it more familiar. But, seen just once every so often, it is a tonic.

At Riverside Studio Two until June 17.

INTERNATIONAL ARTS GUIDE

AMSTERDAM

CONCERTS

Het Concertgebouw Tel: (020) 671 8345

● Royal Concertgebouw Orchestra: with the Netherlands Radio Choir. Mariss Jansons conducts Schoenberg and Shostakovich; 8.15pm; Jun 9

GALLERIES

Nieuwe Kerk Tel: (020) 676 6096

● World Press Photo Exhibition: exhibition of 200 photographs chosen from approximately 30,000; to Jun 5

OPERA/BALLET

Het Muziektheater Tel: (020) 551 8922

● Die Meistersinger von Nürnberg: by Wagner. Hartmut Haenchen conducts the Netherlands Philharmonic Orchestra and soloists Jan Hendrik Rootering and Siegfried Vogel; 5.30pm; Jun 1, 4 (1.30pm), 7

Royal Theatre Carré Tel: (020) 320 2500

● Esmée: by Loevendie. World premiere based on a true story during the German occupation. Friedemann Layer conducts the Netherlands Radio Philharmonic and soloists Jeanne Piland and Marie Angel; 8.15pm; Jun 2, 4, 6, 8

BERLIN

CONCERTS

Konzerthaus Tel: (020) 309 21 02/ 21 03

● Berlin Symphony Orchestra: with trumpet player Reinhold Friedrich. Michael Schonwandt conducts Copland, Zimmerman and Haydn; *8pm; Jun 4*

● Moscow Chamber Orchestra: with violincellist Boris Pergamenschikow. Constantine Orbelian conducts Mozart and Tchaikovsky; 8pm; Jun 7

● Orchestra of the Deutsche Oper Berlin: with pianist Bruno Leonardo Gelber. Jiri Belohlavek conducts Shostakovich's "Symphony No.1" and Brahms' "Concert for Piano and Orchestra No.2"; 8pm; Jun 8

● The English Concert Orchestra: Trevor Pinnock conducts an all Purcell programme in a concert that commemorates the 300th anniversary of the composer's death; 8pm; Jun 5

LONDON

CONCERTS

Barbican Tel: (0171) 638 8891

● Grand Classical Gala: David Coleman conducts the National Symphony Orchestra and tenor Anthony Mee to play a selection of classical favourites; 7.30pm; Jun 4

● Sonny Rollins: jazz tenor saxophonist and one of the last survivors from a generation that included Miles Davis and John Coltrane; 7.30pm; Jun 3

Royal Festival Hall Tel: (0171) 928 8800

● Philharmonia Orchestra: with soprano Alison Hagley, *mezzo-soprano* Catherine Robbin and tenor John Mark Ainsley. John Eliot Gardiner conducts Elgar's "Enigma Variations" and Britten's "Spring Symphony"; 7.30pm; Jun 4

● Philharmonia Orchestra: with violinist Maxim Vengerov. John Eliot Gardiner conducts Elgar, Bruch and Mendelssohn; 7.30pm; Jun 8

● Royal Philharmonic Orchestra: with mezzo-soprano Olga Borodina, baritone Sergei Alexashkin and the Brighton Festival Chorus. Valery Gergiev conducts Berlioz's "Romeo and Juliet"; 7.30pm; Jun 3

● Vienna Philharmonic Orchestra: Seiji Ozawa conducts Berlioz, Mozart and Prokofiev; 7.30pm; Jun 2

OPERA/BALLET

Royal Opera House Tel: (0171) 304 4000

● Billy Budd: by Britten. A new production conducted by Robert Spano and directed by Francesca Zambello. Soloists include Graham Clark, Francis Egerton, John Duykers and Rodney Gilfry/Peter Coleman-Wright; 7.30pm; Jun 1, 5, 9

● La Bohéme: by Puccini. Conducted by Jan Latham-Koenig and directed by John Copley. Soloists include Cynthia Haymon, Nancy Gustafson and Roberta Algana/Tito Beltran; 7.30pm; Jun 2, 3, 8

LOS ANGELES

GALLERIES

County Museum Tel: (213) 857 6000

● Kandinsky: Compositions: six of the seven surviving "Composition" paintings are presented along with 25 preliminary studies which trace the artist's evolution from figurative to abstract painting; from Jun 4 to Sep 3

NEW YORK

GALLERIES

Guggenheim Tel: (212) 423 3652

● George Baselitz: approximately 100 paintings and several sculptures spanning three decades of the German artist's career; to Sep 17

OPERA/BALLET

New York State Theater Tel: (212) 870 5570

● West Side Story Suite: New York City Ballet premiere. Conceived and choreographed by Jerome Robbins and featuring the music of Leonard Bernstein with lyrics by Stephen Sondheim; 8pm; Jun 2, 4 (7pm)

THEATRE

Roundabout Theatre Company Tel: (212) 869 8400

● A Month in the Country: by Ivan Turgenev and starring Helen Mirren; 8pm; to Jun 4 (not Mon)

PARIS

CONCERTS

Châtelet Tel: (1) 40 28 28 40

● New York Philharmonic: Kurt Masur conducts Strauss' "Métamorphosis" and Beethoven's "Symphony No.3"; 8pm; Jun 7

● New York Philharmonic: Kurt Masur conducts Shostakovich and Beethoven; 8pm; Jun 9

Champs Elysées Tel: (1) 49 52 50 50

● French National Orchestra: with pianist Louis Lortie. Charles Dutoit conducts Debussy/Ravel, Grieg, Satie and Mussorgsky; 8pm; Jun 1

GALLERIES

American Center Tel: (1) 44 73 77 77

● Micromegas: works by European and American artists reflecting on scale and size; to Jun 4

OPERA/BALLET

Champs Elysées Tel: (1) 49 52 50 50

● Ezio: by Handel. Conducted by Robert King, directed by Stephen Medcalf and with the King Consort. Soloists include James Bowman, Susan Gritton and Dominique Visse; 7.30pm; Jun 6, 7, 9

Opéra National de Paris, Bastille Tel: (1) 47 42 57 50

● Les Capulet et les Montaigu: by Bellini. Conducted by Bruno Campanella and produced by Robert Carsen. Soloists include Jeffrey Wells, Cecilia Gasdia and Jennifer Lamore; 7.30pm; Jun 3, 5, 9

VIENNA

CONCERTS

Wiener Kammeroper Tel: (1) 512 01 00

● Viennese Philharmonic Orchestra: with soprano Deborah Voigt and baritone Bryn Terfel. Giuseppe Sinopoli conducts Schoenberg and Zemlinsky; 7.30pm; Jun 9

Wiener Konzerthaus Tel: (1) 712 12 11

● Symphonic Ensemble: Franz Welser-Möst conducts Liszt's "Les Préludes" and Shostakovich's "Symphony No.7"; 7.30pm; Jun 7

● Viennese Symphony Orchestra: with pianist Radu Lupu. Kurt Sanderling conducts Beethoven and Shostakovich; 7.30pm; Jun 3

● Viennese Symphony Orchestra: with soprano Christiane Oelze. Michael Gielen conducts Mahler and Webern; 7.30pm; Jun 8

WASHINGTON

CONCERTS

Kennedy Center Tel: (202) 467 4600

● National Symphony Orchestra: with pianist André Watts and soprano Bridgett Hooks. James Conlon conducts Poulenc and Brahms; 8.30pm; Jun 1, 2, 3

GALLERIES

National Gallery Tel: (202) 737 4215

● James McNeill Whistler: retrospective of the expatriate American artist with more than 200 works; to Jul 20

THEATRE

Arena Stage Kreeger Theater Tel: (202) 554 9066

● A Month in the Country: written by Brian Friel after Ivan Turgenev. Kyle Donnelly conducts a romantic comedy; 7.30pm; to Jun 4

Folger Theater Tel: (202) 544 7077

● The Merchant of Venice: by Shakespeare. Commemorating the 400th anniversary of the play, this production is directed by Joe Banno; from Jun 2 to Jun 25

Kennedy Center Tel: (202) 467 4600

● Angels In America: Part One, The Millennium Approaches. Tony Kushner's Pulitzer prize and Tony award-winning play about sex, politics and religion; 7.30pm; to Jun 8

Studio Theater Tel: (202) 332 3300

● Bessie's Blues: written and directed by Thomas W. Jones II. A musical portrait of blues legend Bessie Smith; 8pm; to Jun 4

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Financial Times Business Tonight

Business in the moral maze

BOOK REVIEW

MARKET CAPITALISM AND MORAL VALUES: Proceedings of Section F (Economics) of the British Association for the Advancement of Science, Keele 1993
Edited by Samuel Brittan and Alan Hamlin
Edward Elgar. £39.95. 168 pages

The effect of moral beliefs on economic conduct is a subject of importance to business and policymakers. In established capitalist societies, a failure to understand the connection between ethics and economics has led to much misconceived regulation, intended to impose inappropriate goals on business. In eastern Europe and the former Soviet Union, the failure to appreciate the ethical underpinnings of markets has hampered the development of capitalism, and led to a political backlash against reform.

This book consists of 10 essays, mainly by economists, which attack the widespread but false belief that market capitalism suffers from intrinsic moral defects. On the contrary, capitalism not only produces optimum economic outcomes, but is morally superior to the alternatives.

The problem, as Nigel Lawson argues, is that capitalism is seldom judged fairly by genuinely ethical standards. If capitalism depends on self-interest, so do all other systems that offer inducements to action. The egalitarianism advocated by critics of capitalism is undesirable, immoral and impossible in practice. More positively, capitalism is the only economic system that both requires, and provides dependable support for, the fundamental moral values of liberty and autonomy.

Several papers in this volume demonstrate that there are institutional and moral preconditions which must be satisfied for the "invisible hand" of the market to produce optimum outcomes. This is a truth that Adam Smith recognised, but many academic economists since have not. At the very least, private property and contracts must be respected.

The moral prerequisites of capitalism are the same as those for business: distributive justice and ordinary decency. Distributive justice requires that organisational rewards reflect contributions made to organisational goals. Ordinary decency refers to the honesty, fairness, presumption in favour of legality, and absence of physical coercion essential for the existence of trust and most long-term undertakings.

Two essays expose the idiocies of mainstream "business ethicists". Their belief that the only good business is one that eschews business is absurd but dangerously widespread.

Despite these useful papers, the book is disappointing. Even its best essays are flawed by a failure to recognise some basic conceptual distinctions.

One damaging defect is the failure to understand the ethical significance of motives. Motives are important in judging the morality of people, but they normally do not matter in the evaluation of acts: their morality depends instead on objectives and consequences. Good and bad acts can be performed from a variety of motives; the same ethical act (eg, saving a life) can be done selfishly or altruistically, out of duty or love or spite.

To the extent that capitalism is about economic acts, the agonising over motives which permeates this volume is misguided. The operation of the "invisible hand" does not require selfish motives, but simply making decisions according to appropriate criteria. As Samuel Brittan correctly suggests in his essay, Adam Smith's butcher, brewer and baker need only conduct themselves "as if" their acts were guided by enlightened self-interest. The maximising strategy which capitalism presupposes is compatible with the full range of emotional impulses: it can be motivated as much by the desire to provide for charity or one's family as by greed.

Because most of the contributors misunderstand the significance of motives, they also fail to see that even the purest of motives cannot make bad acts good. Contrary to what might be called the "Robin Hood syndrome", stealing from the rich to give to the poor is still stealing, and is therefore immoral. However worthy the causes they support may be, when business managers fund them by taking other people's money (ie, shareholders' assets), their actions are more properly condemned as theft than praised as "social responsibility". Equally, even if governments' motives could be imagined to be wholly pure, they could not prevent governmental acts from too often being ignorant or stupid or foolish.

A second major flaw of the book is the mistaken assumption that altruism is unequivocally good. An altruistic act is simply one done to benefit interests other than the actor's own; it is defined by the "other-serving" nature of the agent's intention, not by anything intrinsic to the act. Accordingly all sorts of acts, including thoroughly wicked ones, are compatible with altruism. Failing to recognise this, most contributors naively identify ethics with altruism and misrepresent them both.

A third set of problems arises because many contributors accept the wrong but widely held view that ethics must be either some form of utilitarianism or of Kantian deontology. This leads them to ignore those important moral truths which demand a richer, more realistic and more substantially grounded explanatory framework. Such concepts as merit and responsibility which are central to understanding the connection between ethics and economics are not available if their impoverished view of ethics is taken seriously.

And ultimately, that view leads them to overlook one of the most important moral defences of capitalism: the fact that the liberty it supports is a precondition not only of economic optimisation, but of moral responsibility itself.

Elaine Sternberg

The reviewer is author of Just Business: Business Ethics in Action (Little Brown, 1994) and a consultant on business ethics and corporate governance

ECONOMIC VIEWPOINT

Wage pressures from 'South'

By Samuel Brittan

If trade is opened between two areas both sides gain. Otherwise the trade would not take place. But not everyone inside each area need do so. There can be losers on both sides, whether the areas in question are regions, countries or vast geographical expressions, such as 'North' and 'South'. This is not an argument against free trade, but for the gainers to reach out for the losers and try to compensate them. This was the motive behind the Trade Adjustment measures which accompanied earlier trade liberalisation in the US.

It is possible that something on a much larger scale will now be needed as the newly emerging countries, whether in Asia, Latin America or the former Communist world, put downward pressure on the wages of low-skilled workers in the west.

One person who raised the issue early in Britain was Douglas McWilliams, of the Centre for Economic and Business Research. There followed a book by Adrian Wood, *North South Trade, Employment and Inequality*, devoted to the thesis. This has now been followed by Professor Patrick Minford and associates in a paper for the Centre for Economic Policy Research, *The Elixir of Growth*, which finds in 'Southern' competition the clue to the growing wage disparities inside several countries, above all the US and Britain. (These disparities are less apparent in continental Europe because more rigid labour markets lead to the pressures being felt in high unemployment instead.) An enlarged version of the Minford paper, paying special attention to how best to help the unskilled workers of the North, is to appear next year in a book, *Unemployment Policy* (Ed Snower and de la Dehesa), also for the CEPR, (25 Old Burlington Street, W1X 1LB).

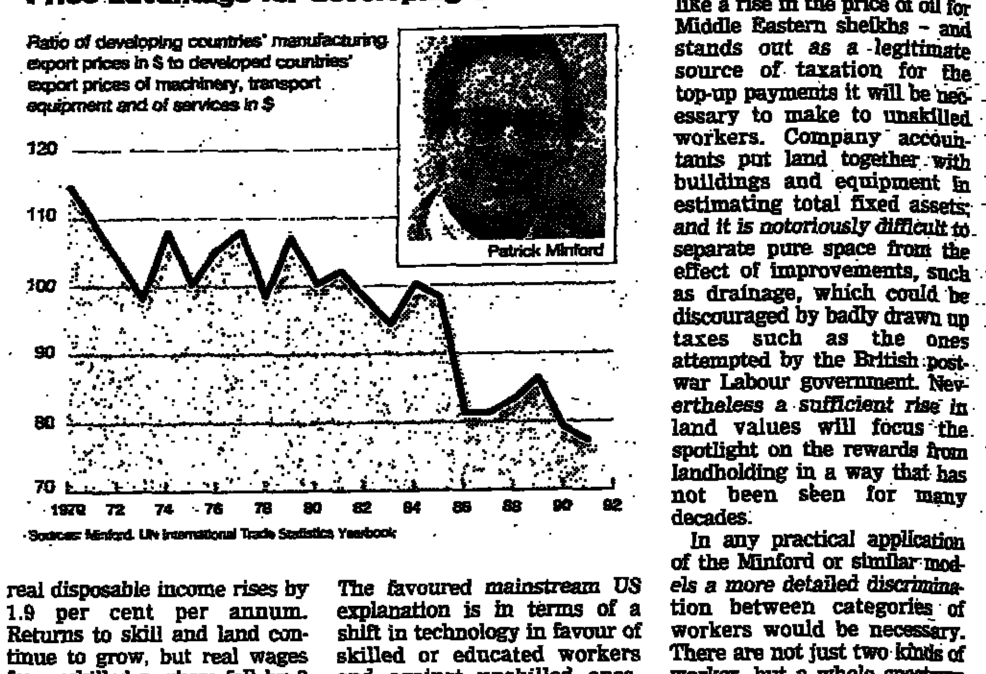
Some heroic simplifications are of course required to generalise about global trends at all. Prof Minford distinguishes between five factors of production involved in most economic activity. Three of these are immobile: namely skilled and unskilled labour and land. Unskilled labour is immobile because of 'Northern' restrictions on immigration. Skilled workers are relatively immobile because they prefer to live and work in their own countries and they can earn enough to satisfy their preference.

Many past theorists of international trade have held capital to be immobile. But Minford argues persuasively that it is now pretty free to move to seek the highest returns, because of financial liberalisation and the spread of property rights and other capital-friendly policies in the South. Another assumption is that there are constant returns to scale in the long run in manufacturing.

His conclusions are:

1. That differences in relative income per capita depend on the technology used in the sector taking part in international trade and also on the past accumulation of savings and skills – the latter embodied in the abilities of the better trained workers.
2. The speed of overseas investment and technology transfer is determined by the economic environment and respect for property rights in the recipient country, as well as by the state of the art in transfer and communications.
3. The transmission of capital to the emerging markets in the South makes the world as a whole better off. It raises productivity and living standards in the South. It also improves the terms of trade of the North, as shown in the chart. But it reduces (if uncorrected) the absolute living standards of unskilled workers in the North. As Minford remarks, "this poses challenges to those rich countries both for social policy and for the maintenance of popular allegiance to free trade". That is to put it mildly.

Price advantage for developing countries



Sources: Minford, UN International Trade Statistics Yearbook

Minford has some brave estimates of the size of the effects emanating from growth in 'Southern' productivity of 2.3 per cent per annum sustained for over 23 years. This generates an increase in world real disposable income of 2 per cent per annum. Most of this is due not to the physical increase in productivity but to gains from increased trade and the drawing of new supplies of factors such as land and labour into the world economy.

In the South unskilled wages rise by 2.5 per cent per annum in real terms. In the North, real disposable income rises by 1.9 per cent per annum. Returns to skill and land continue to grow, but real wages for unskilled workers fall by 2 per cent per annum. Not surprisingly there is an increase in both human capital and land in use, while unskilled labour diminishes in supply.

Looking beyond the period of the projection, unskilled wages in the North could not carry on falling for ever – if only because they would eventually fall below wages in the South and the whole story might go into reverse. But the moral is that downwards pressures might go on for a long time.

The world gains. But absolute living standards of unskilled workers in the North fall

Inevitably part of the Minford paper is taken up in arguments with American economists who deny that the pressure on the less well paid in the US has much to do with competition from the South. The favoured mainstream US explanation is in terms of a shift in technology in favour of skilled or educated workers and against unskilled ones. But the sources of this shift are mysterious – it did not happen in previous periods of technological advance. If the American economists are right, the policy problems are less formidable, because a technologically determined shift in the relative demand for different kind of workers can easily go into reverse, whereas the pressures from modernisation in the developing world are likely to be longer lasting and more formidable. Minford concedes that both trade and technological pressures may have been at work.

There is one crumb of comfort to be drawn. The estimates of falling 'Northern' real wages apply to averages over many countries. Real wages for UK manual workers are below those of most EU countries, as well as of North America. Thus British workers here may not need to suffer the absolute decline predicted by Minford for the North as a whole and might be able to escape with no worse than stagnation.

There are many further matters to explore. If real wages for unskilled workers fall absolutely in the North while overall growth continues, who pockets the difference? Many earlier writers would have said: the owners of capital. But if there is a going worldwide rate of return and an elastic supply of capital then it would be difficult for the profit rate in the North to vary very much. The gains are thus distributed between skilled workers and owners of land.

If the price of land rises this represents a windfall gain – like a rise in the price of oil for Middle Eastern sheikhs – and stands out as a legitimate source of taxation for the top-up payments it will be necessary to make to unskilled workers. Company accountants put land together with buildings and equipment in estimating total fixed assets; and it is notoriously difficult to separate pure space from the effect of improvements, such as drainage, which could be discouraged by badly drawn up taxes such as the ones attempted by the British post-war Labour government. Nevertheless a sufficient rise in land values will focus the spotlight on the rewards from landholding in a way that has not been seen for many decades.

In any practical application of the Minford or similar models a more detailed discrimination between categories of workers would be necessary. There are not just two kinds of worker, but a whole spectrum of abilities, temperaments and attitudes; and it is difficult to draw a sharp dividing line between those who will be raised up and those who will be cast down.

There is no space to discuss in one short article both the downward pressures on the market-clearing pay of unskilled workers and the best kind of top-up measures to help the victims. But I agree with Minford that payments of a negative income tax kind (NIT) are the best bet. As he says, the UK tax and social security system has many elements of NIT, but there is further to go. The result could be called a Minimum Income Guarantee, which distinguishes it from a Basic Income, which – however desirable – is not affordable in the present conformation of labour markets. I would not, however, follow Prof Minford in going back to the "Victorian model" of administering the top-ups "locally with discretion", as a more personal column this Monday will explain.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). Translation may be available for letters written in the main international languages.

British Gas: real questions not addressed

From Mr I.M. Martin.

Sir, It does not surprise me that there was a large turnout for the British Gas annual general meeting. Since there could be little hope of effecting meaningful changes, this could only be viewed as a desperate gesture of protest.

Those of us who work for British Gas share the widespread indignation over the executive pay rises, but are aware that there is much more at stake. The present massive restructuring programme is at the expense of the jobs and conditions of the very people who have devoted years of work for what they saw as the public good. Moral indignation is cheap and there must be a few politicians and trade union leaders who have not milked the issue of executive pay. The less they are able to speak for the workers, the more shrill their outrage at the soft target of the pay of Cedric Brown, the British Gas chief executive.

Behind the smokescreen, politicians and union leaders are actually in agreement with British Gas's agenda for international expansion. They cannot logically resist the restructuring and at best can only haggle over details from a strictly nationalist point of view. The Labour party is now waving the flag of shareholder democracy and consumers' rights. This is another bid to capitalise on peripheral issues, but it could easily become a stick with which to beat the workers. Labour leader Tony Blair has already said that if British Gas makes a large profit after all the job losses it should be forced to cut prices still further.

This will mean even more attacks on the pay and conditions of remaining workers.

Gas, and energy in general, is a thoroughly international question and the prospect of a worldwide scramble for profits and resources is a potentially deadly one. The problem of utilising the world's resources in an orderly fashion and for the common good is vastly more important than executive perks. The Labour party and the unions have shown themselves unwilling and unable to address these questions.

I.M. Martin,
38 Edgedale Road,
Sheffield S7 2BR, UK

Devolution sacrifice must be explained

From Mr Mark Tennant.

Sir, I refer to your editorial, "Consent for devolution" (May 30). There is, I think, little doubt that a majority of Scots support parties which promote the cause of a Scottish parliament.

For the most part this reflects the wishes of a socialist country which resents 16 years of Tory rule and the fact that this period has, for the UK as a whole, irreversibly removed the threat of any future government being elected on a socialist manifesto – hence New Labour.

This resentment is very real, and as a result New Labour would never be accepted, far less supported, in the Labour heartlands of the central belt if it was not for a lust for power at almost any price.

Changing the constitution, merely because one part of the country does not like the policies of the government of the day, is neither sensible or rational.

To attempt it on the basis of the unworkable model put forward by the Labour and Liberal Democrat parties can only lead to dissent and dissatisfaction which will eventually feed through into far stronger calls for independence than presently exist.

If we are to have a sensible debate on this issue and if the press is to give any support to the idea, the opposition parties must answer the West Lothian question.

They must also explain to the Scottish people why they should sacrifice for ever their inbuilt majority in the House of Commons and their *ex officio* place at the cabinet table in exchange for a tax-raising talking-shop full of Monklands East councillor lookalikes on Calton Hill.

While you are right when you say that the solution to the devolution question need not be "tidy" because one of the advantages of the UK's unwritten constitution is that it can accommodate untidy arrangements, any proposals must be workable if they are to merit serious consideration.

Mark Tennant,
Apartment 25D,
380 Rector Place,
New York, NY10280,
US

Fair share-out of Nigeria's oil wealth

From Chief Gabriel Yakubu Aduku.

Sir, In Your article "The stalemate continues" in the supplement on Nigeria (May 26) your reporters exhibited either bias or ignorance in their references to the performance of the constitutional conference. I refer in particular to their statement "despite sitting for six months longer ... it skirted around the fundamental political problems such as the need for fairer distribution of oil wealth".

If your reporters had read the report of the committee on revenue allocation as well as the conference resolutions on the subject they would have appreciated that the constitutional conference did sustain its credibility in regard to the touchy issue of how Nigeria's wealth should be shared. In broad terms, according to the present formula, the federal government retains 48.5 per cent of the amount in the federal account while 44 per cent is allocated to states and local governments. Of the remaining special fund of 7.5 per cent a token amount of 1 per cent goes to the state(s) of derivation.

The constitutional conference not only agreed a new formula which substantially reduces the federal government share in favour of states and local governments, but most significantly it resolved that 13 per cent of national revenue be allocated to the state(s) of derivation and that this provision be entrenched in the constitution.

Despite the sensitivity of the subject, the new formula has been well received by Nigerians who see it as a positive contribution to equity, fairness and justice in the distribution of our country's revenue.

Gabriel Yakubu Aduku,
chairman, revenue allocation committee,
17a Sultan Road,
Kaduna,
Nigeria

A failure to regulate behaviour

From Mr Edward de Bono.

Sir, Although the Morgan Stanley refund of $30m is a trifling matter ("Morgan Stanley fined $376,000 over client losses", May 31), many will have noticed the uncanny resemblance to the much more significant matter of Lloyd's. In both cases the "investing agents" went far beyond their authorised instructions.

As the Walker report and two law cases have shown, the LMX spirals were directly contrary to the very basis of insurance. In both cases the "brokers" made very good profits from very frequent commissions. In both cases those who were supposed to be monitoring the behaviour apparently did nothing, and in the case of Lloyd's seemed to condone the behaviour.

The difference is that the Securities and Futures Authority was there to protect the client in the case of Morgan Stanley but there was, and is, no one to protect the Names in the case of Lloyd's. The Department of Trade and Industry has been remarkably feeble on the basis that its role is simply to protect the policy holder.

The reputation of the City of London will continue to decline since it is so manifestly unable to regulate behaviour. Self-regulation has been a failure as everyone knows.

Edward de Bono,
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FINANCIAL TIMES

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Thursday June 1 1995

Making the emu fly

The European Union has developed by agreeing to often controversial goals that are to be reached comfortingly far in the future. A timetable has then been devised. This was how the customs union and the single market were implemented. That is also the plan for economic and monetary union (Emu). It is a strategy that is likely to lead to an Emu covering a number of member states by the end of this century.

Yesterday's green paper on the arrangements for the introduction of the single currency is a step on the way, one that sets out a series of further ones. It looks perfectly practicable. The move to a single currency has been defined in the Maastricht treaty as the third stage of a process whose second stage started at the beginning of last year, with the establishment of the European Monetary Institute, forerunner of the European Central Bank (ECB). This green paper breaks that final stage down into three phases.

Phase A is to be when the list of participating states is agreed, a date is set for the start of Emu, a deadline is given for the final changeover to the single currency and the ECB is established. Phase B is to be when conversion rates are fixed, the Ecu becomes a currency, monetary policy is unified, and the Ecu (or whatever it is to be called) is widely used in financial markets. Finally, Phase C is when new notes and coins replace the old national currencies.

Each stage involves a mass of complex and costly practical details. Every single cash dispenser and slot machine will, for example, have to be altered. If the process is to go through smoothly – so important for public acceptance – it must be seen as reasonable and inexorable. That is why this paper matters. It is designed to make the process more believable and so more workable.

Planning horizon

An important element is the timetable. It is planned to move from the start of Phase A to the single currency within four years. Phase A should not, says the paper, take more than a year, leaving three years for Phase B. If, for example, the decision to start Emu were to be taken in July 1998, as seems quite likely, the new currency would circulate by mid-2002. The latter date should be within the planning horizon of most reasonably competent organisations.

Questions arise even within the relatively narrow confines of this paper. One concerns the Commission's suggestion that "it is important to generate a rapid momentum for the introduction of the single currency by the immediate creation of a critical mass of activities in Ecu". It appears that the Commission envisages a degree of coercion, which may be undesirable. At the same time, there is likely to be confusion during the years when two different denominations of what would effectively be one money are used within participating member states.

Obvious solution

Bigger questions also arise. One is what might happen to exchange rates between the moment of agreement on the participants and the irrevocable locking of exchange rates. The obvious solution is to announce that the locked exchange rates will be the ones ruling at the beginning of Phase A. Peculiar things might otherwise happen to exchange rates in intervening months.

Another question is whether it is necessary to introduce a new currency at all, since it is bound to be unpopular. It would be possible to regard the existing national currencies as different names for one money. Similarly, there need not be just one name. There might be a single symbol, along with continued use of the old habitual names in each member country.

This green paper is not concerned with convergence nor with what will be done about currencies not included in the first wave of Emu. These issues are not within its terms of reference. Selling Emu to the public is. Since in June 1994 only 51 per cent of the citizens of the member states believed that a single currency would be in use by 2000, such selling is certainly needed.

Reversing that scepticism is necessary if the process is to work. Putting forward a workable process is, in turn, needed to reduce the scepticism. That was the Commission's task. It has been achieved. If the major member states remain committed to Emu, it can happen. Given the credibility they have invested in this idea, the smart bet is that it will.

Condemned to persevere

Yesterday's emergency debates on Bosnia in both houses of the British parliament were suitably sombre in tone and realistic in content. They also served the purpose of clarifying the nature of, and limits on, the political consensus concerning Britain's role in the former Yugoslav republic.

The three main parties agree both in their analysis of the predicament facing the United Nations protection force – fundamentally changed for the worse as it is by the air strikes and hostage-taking of the past week – and in concluding that every conceivable response is fraught with difficulty.

The party leaders concur that precipitate withdrawal, as urged by dissenting backbenchers, would be undesirable in the extreme. Apart from being dangerous and costly to execute, it would, as Mr John Major emphasised, be likely to prove highly inflammatory for the Bosnian conflict itself. Britain would no more be able to ignore the humanitarian or strategic consequences than it could when it was first moved to dispatch troops in 1992. It continues to have a strong interest in preventing the war from spreading and in buttressing the admittedly slender prospects for diplomatic progress in resolving the conflict – notably by encouraging Serbian President Slobodan Milosevic to render the isolation of his Bosnian kin complete.

For all these reasons, withdrawal is not likely to be an option unless or until events on the ground make it inescapable.

UN mandate confused

Nor, the party leaders likewise agree, is it possible to carry on precisely as before. The UN's mandate has been exposed as hopelessly confused between the "neutral" task of supporting the delivery of humanitarian aid and the more partisan business of punishing miscreants – which has in practice meant striking the Bosnian Serbs. Unprofor has been staffed and equipped for the humanitarian task, but required to dabble ineffectually in the punitive one. Ineluctably, those who have contributed troops will now have to choose their priorities more carefully – as they should have done at the outset.

In the case of Britain, yesterday's debate defines the choice. Despite the strong provocation offered by the Bosnian Serbs over the past week, the British public has neither the appetite nor the will to go to war against them. Without strong public backing, any government would be reckless to ask its forces to adopt a much more belligerent stance.

Credible options

There is support for the hefty reinforcement of Britain's contingent in Bosnia. But this, it has to be said, is not from any delusion that a threefold increase in manpower would facilitate confronting the Bosnian Serbs or forcibly freeing the hostages. Rather, such reinforcement is thought likely to increase the range of credible options available for defending the lives of the British and other UN troops already there – including, if needs be, the ultimate one of a fighting withdrawal.

The thinking in France – the other main contributor to Unprofor – is not very different. Indeed, it remains unhelpfully the case that the strongest desire for direct UN involvement in the war is evident in the US, a country with no troops on the ground.

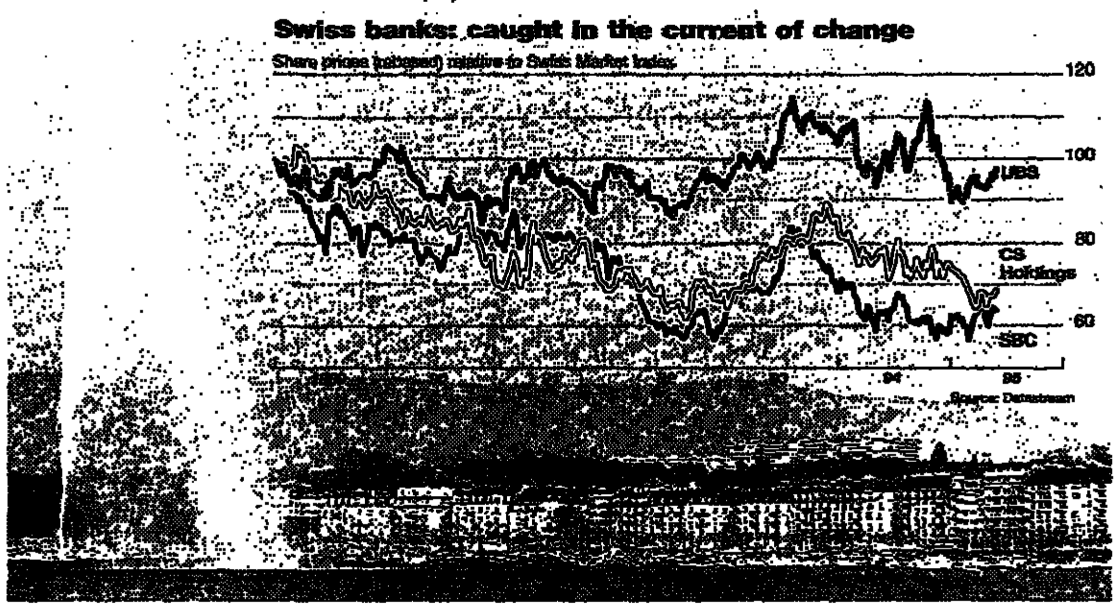
How does this imply Britain and other Unprofor members should behave? The most immediate priority is securing the release of the hostages without making concessions to their captors. That will require patient diplomacy and great restraint.

Next is redeployment of UN forces to more defensible positions, and provision of genuinely flexible firepower to defend them and to keep roads open for aid deliveries. That will involve some painful and politically unpopular choices. UN commanders, for example, may well conclude that some of the so-called "safe areas" in Bosnia are not likely to be defensible: if abandoning their defence is the price for maintaining the humanitarian effort in areas controlled by Bosnian government forces, so be it.

Above all, Unprofor contributors must now resist the temptation to ask their troops to do more than they are equipped to do, and keep their eyes fixed on the purposes they can most effectively serve. The alternative is likely to be a humiliating and chaotic retreat.

Shake-up of the cosy club

Ground-breaking developments have made the old image of the Swiss financial sector look dated, says Ian Rodger



A bitter fight for control of Union Bank of Switzerland. A contested takeover battle for Holvis, the non-woven fabrics and paper distribution group. And the recent £860m acquisition of S.G. Warburg, the top British merchant bank, by Swiss Bank Corporation. This is not the behaviour one has come to expect from the inimitably cosy Swiss financial sector.

In fact, the traditional image of Switzerland's *Finanzplatz* is becoming increasingly dated. As indicated by the trio of ground-breaking developments listed above, the Swiss appear to be embracing the kind of robust, open financial culture hitherto confined mainly to the US and the UK.

"Switzerland now has the most liberal financial centre in Europe," says Mr Rainer Gut, chairman of CS Holding, the financial services group built around Credit Suisse. And a new generation of aggressive Swiss bankers and fund managers is eagerly exploiting it.

The seeds of this new culture were sown in the late 1980s when a number of liberalising forces converged.

- The three big Swiss banks realised they had outgrown their home market and stepped up their international expansion. This left them in a poor position to resist pressures from the US and British authorities to open up Swiss capital markets.
- The big Swiss industrial companies, such as Nestlé, the foods giant, and the pharmaceuticals groups Ciba, Roche and Sandoz, saw that they would need access to large foreign capital markets to finance their growth. To obtain it they would have to provide greater disclosure and investor-friendliness than was the Swiss norm.
- Meanwhile, the country's traditional role as the leading financial haven for the world's wealthiest individuals appeared to be waning. This was partly because other countries and tax havens seemed to have become just as stable as Switzerland. But it was partly too because Swiss banks had acquired reputations for complacency, charging high fees and producing only mediocre performance for clients.

The drive for reform began with Nestlé's shock announcement in November 1988 that it would open its share register to foreign investors, and has accelerated ever since.

Company law changes have encouraged quoted companies to become more transparent and investor-friendly, and criminal law reforms have made it more dangerous for people to engage in unfair or shady activities, such as money laundering and insider trading.

In the all-important private banking sector, the abolition of various capital market cartels and the raising of standards of investment management have combined with more volatile international markets to help cement Switzerland's dominant position.

Swiss banks are believed to hold and manage some SFr2,000bn (£1,078bn) for the world's richest individuals – perhaps 40 per cent of the total amount of money placed by them outside their home countries.

Further improvements in the liquidity and transparency of Swiss share trading may come later this year when a national electronic stock exchange will open, replacing the three open-outcry exchanges in Zurich, Geneva and Basle. Opinions differ on the likely cost-effectiveness of the new exchange. But it may help to win back some of the trading volume that has decamped to London's Seaq in recent years.

Among those who have taken most advantage of the changing environment is Mr Martin Ebner, a maverick broker-fund manager, who formed his BZ Bank in Zurich in 1985.

Mr Ebner pioneered active block trading for institutions in Switzerland. He also introduced a product called a covered warrant, which enabled foreign investors to get around restrictions on foreigners holding Swiss shares, and spread the idea that large shareholders should keep a close eye on company directors.

Recently he has waged a bitter governance battle with the directors of UBS, the country's largest and strongest bank.

As in many other countries, the pattern of shareholdings in Switzerland has been changing rapidly, with pension funds and other institutions becoming much more significant holders. Thus, it was only a matter of time until an institutional fund manager contested the governance of a large company.

That UBS would be the target could not have been foreseen, although the banking sector stands out for its mediocre profit performance, and the bank's leadership has been criticised as rigid and arrogant.

Mr Ebner's strategy has been to try and rally a majority of votes against the incumbent board, mainly by buying UBS registered shares, a class of stock which has five times the voting power of the more widely held bearer shares. This has left him open to the charge that he was really trying to get control of the bank on the cheap, rather than to put pressure on its top management to perform better.

Whatever the outcome of the battle, which is now tied up in the courts, it has sent a clear signal to the Swiss business community that increasing shareholder value must be among the top priorities of all company directors.

That message is now frequently reinforced by the more lively behaviour of Swiss share prices. Companies which formerly waded into the capital markets for new equity whenever they felt in the least pressed for money now find that the mere mention of a rights issue or acquisition can send their shares plunging. As Mr Ebner puts it: "The market is setting more demanding management standards."

Mr Ebner's example has spawned a number of imitators, notably Mr Ernst Müller-Mühl, one of his former colleagues, who formed Bank am Bellevue, a Zurich boutique securities house, two years ago.

Even in the big banks, the one-time prerequisites for advancement – seniority and a high ranking in the Swiss army – have been jettisoned in favour of more relevant qualifications.

Mr Mathis Cabiallavetta, a derivatives expert who has just been nominated as UBS's next chief executive by the bank's present board, is 50 and a mere infantry corporal.

Mr Josef Ackermann, 49, who took over the reins at Credit Suisse two years ago, has wide experience in international capital markets. Mr Marcel Ospel, 45, the SBC international division boss who is to run SBC Warburg, as the merchant bank will now be known, is also a derivatives expert. Mr Peter Wuffli, 37, was drafted last year from the Zurich operation of McKinsey, the management consultants, to be SBC's chief financial officer.

The changed culture has now paved the way for Switzerland's first hostile takeover bid, launched in April for Holvis by International Paper of the US.

Three years ago, Holvis became the first widely held Swiss-quoted company to eliminate voting restrictions on its shares; most Swiss companies still limit shareholders to voting a maximum of between 3 per cent and 5 per cent of the company's stock, ostensibly to prevent surprise takeover bids.

Even before this change, Holvis was potentially vulnerable to being taken over, since Mercury Asset Management, the fund management arm of S.G. Warburg, held about a quarter of the shares. Two months ago, Mercury became frustrated with the company's lack of progress and committed its shares to IP. Last Friday, BBA, the UK industrial group, entered the fray.

The battle has already been remarkable on two other counts. Holvis directors accepted immediately that the group's independence was at an end and sought only to achieve the best outcome for shareholders. And neither they nor anyone else tried to distort the process by moaning about the loss of a Swiss company to foreign ownership.

Swiss brokers' analysts have been quick to produce lists of other potential takeover targets. One, distributed by Credit Suisse mentions, among others, the Bâloise and Berner insurance groups, Hero, the jams and jellies company, and Motor-Columbus, the electricity producer and distributor.

It all points to a lively future for Swiss financial markets and institutions. There is even speculation that one of the three top Swiss banks could be taken over by one of its rivals in the next few years.

Presented with this rumour recently, CS Holding's Mr Gut paused for a moment and then laughed. "We compete too fiercely against each other," he said. "It couldn't happen." Given the aggressive new financial environment, not everyone would agree.

Economic convergence holds the key

PERSONAL VIEW

The upheavals on foreign exchange markets that led in March to realignments in the exchange rate mechanism of the European Monetary System (EMS) have rekindled the debate on whether economic and monetary union can be achieved.

Widely differing conclusions have been drawn from the most recent disturbances. Some saw them as proof that the European Union was not yet ripe for monetary union. Others saw them as the outcome of speculative capital movements that made rapid transition to monetary union all the more urgent. There is some degree of accuracy in both these assessments.

In contrast to what happened during the EMS upheavals of 1992 and 1993, the recent turmoil mainly reflected the markets' lack of confidence in the ability of some governments to address their fiscal problems. It appears that the foreign exchange markets of today are exceedingly sensitive to even the smallest credibility gap in monetary as in fiscal policy.

But these upheavals can be explained only in part by political uncertainties. External factors also helped to build up tension in the system. These included the flight of funds out of the dollar which, as in the past, tended to flow into the D-Mark to the detriment of other currencies. This trend even affected currencies inside the EMS whose underlying economic data – as in the case of the French franc – indicated no need whatever for adjustment.

The increasing demands on policy cannot be countered by regimented intervention in the markets. Taxing foreign exchange transactions or even imposing capital controls would amount to treating the symptoms. In the short and medium term, excessive exchange rate fluctuations can be averted only by convincing the markets that there will be no deviation from stability-oriented policies. Ultimately, such upheavals can be banished only by a European currency union designed to function as a community of stability.

Strengthening the convergence process is thus the key to greater exchange rate stability and to the final stage of economic and monetary union. Although at present only Germany and Luxembourg meet all convergence criteria, some progress has been made in other countries over the past few years, particularly on inflation and long-term interest rates.

Those who seriously intend to achieve monetary union must now pursue a policy of consolidation

The EU's average inflation rate has fallen from 13 per cent in the early 1980s to 3 per cent most recently. The inflation mentality that was predominant in some member states well into the 1980s now appears to have been overcome.

Public finance is the area in which most action needs now to be taken. This year, only Germany and Luxembourg are likely to stay within the Maastricht criteria that the government deficit should not exceed 3 per cent of gross domestic product and government debt be less than 60 per cent of GDP. Nine of the 15 member states will this year fail to meet both criteria.

All those which seriously intend to achieve monetary union must now demonstrate this by pursuing resolutely a policy of consolidation. They must not permit the strengthening upturn in economic activity to distract them from the need to bring down excessive structural deficits.

As things stand, entry into the final stage of monetary union in 1997 is extremely unlikely because there seems scant prospect of a majority of member states fulfilling the Maastricht criteria by then.

Entry into the final stage in 1999, however, remains feasible. But, even then, monetary union will not be possible unless participants comply strictly with the convergence criteria. There cannot and will not be any discounts or free tickets.

On this point, Germany is in complete agreement with France. And those in charge of French fiscal policy have, accordingly, undertaken to set in train the measures needed to meet the fiscal deficit and government debt criteria.

I hope the UK too will decide in favour of an "opt-in" on the transition to the final stage. The UK already meets most of the convergence criteria. Early participation in monetary union would enable it to play an active role in shaping the further integration of monetary policy from the outset, contributing its experience and its thoughts on fundamental issues of economic policy, many of which are largely in line with those of Germany.

In the UK, there seems to be greater readiness than before to play a part in the process of monetary integration. This is indeed welcome, as the closer involvement of the UK is in both its own interest and that of its European partners.

Theo Waigel

The author is German finance minister

OBSERVER

Krupps' last tape

■ What do you do if a country decides to stop selling weapons to you? Why, slap on your own ban saying you don't want their silly old guns anyway.

If that sounds a trifle bizarre, blame Turkey. In May, Denmark said it would no longer sell arms to Turkey because of its military operation in northern Iraq against separatist rebel Kurds. So yesterday Turkey's foreign ministry spokesman Nurettin Nurkan said it was banning military purchases from Denmark, which "has lost the quality of being a reliable partner in military procurements. Turkey has decided to place Denmark on its red list".

This kind of thing is becoming a regular event in Turkey, which recently put the Netherlands and South Africa on the red list – after both stopped arms sales in response to the Iraqi operation. One big exception of course is that Turkey's major arms supplier – Germany, which has also suspended arms sales – has not been put on the boycott list.

Chomper Ramos

■ Winston Churchill would never have stood for it. Fidel Ramos, the 67-year-old president of the Philippines since 1992, has come under fire for his cigar-chomping – even though he never actually puts a match to the thing.

Leading senators and anti-smoking groups have latched onto on the World Health Organisation's Anti-Tobacco Day as a means of bashing Ramos, accusing him of setting a bad example. Ramos says he's just doing his bit – or maybe it was his bite – for the country's ailing tobacco industry.

Sealed lips

■ Pretty poor show at the African Development Bank, whose governors have so far failed to agree upon a new president for the ADB. The deadlock occurred at the bank's annual general meeting in Abuja, where they managed to agree upon every other major issue. Now they've given themselves until August 25 to clinch it.

Candidates must be sponsored by the government of their home country, yet the problems facing the ADB demand more than ever a president who is independent of government and is chosen on merit.

One name on many lips at the Abuja meeting was Ellen Johnson Sirleaf, a regional director with the United Nations. But her country – Liberia – is wracked by civil war and unable to sponsor her.

Instead, Liberia's rulers voted for the candidate from Nigeria; which just happens to have an 8,000-strong "peace-keeping force" camped outside Liberia's capital, Monrovia. Keep it in the family, eh?

Owen's last stand

■ What exactly is a "lap-top bombardier"? It's obviously something nasty; but what is not immediately obvious.

Lord Owen used the expression *en passant* yesterday, in announcing the hauling up of his personal flag at the end of June, when he will resign as the European Union's special negotiator in the former Yugoslavia. We know it's nasty because Owen contrasted it with "the voice of compromise and reason", which he said he wanted to hear more of.

"Armchair general" used to be the sneer, but we live in a high-tech age, when networking politicians scour the globe looking for jobs, as indeed now must Lord Owen.

Someone as accustomed to bitter fratricidal warfare as Owen is, has only one obvious job left – masterminding the name for the EU's single-currency.

Autobanned

■ Crashing your own car is a misfortune; even more so when it's a racing car costing DM1.5bn. Bernd Pischetsrieder, the 47-year-old speedster head of luxury German carmaker BMW was fortunate to escape with minor injuries at the weekend, when the 627-horsepower McLaren FI sports car left the road near Munich. Nobody at BMW, which confirmed the accident yesterday, was able to say how fast Pischetsrieder was travelling, nor how the accident happened.

The car, built in very small numbers by British Formula One racing team McLaren, is capable of 230 mph – and is powered by a 12-cylinder BMW engine. Excuse me – do you have any more of those left in a snazzy yellow?

The pearly Gates

■ Rather fed up with man's inhumanity to man, God decides to put an end to the world next Tuesday. To announce his decision, he summons the three most important people on earth: Bill Clinton, Boris Yeltsin and Bill Gates.

Clinton goes home and appears on national television, where he says: "The good news is we are indeed one nation under God. The bad news is the world ends next Tuesday."

Yeltsin tells his people he has two bits of bad news: "The first is that, as we've come to suspect, our atheist period was a waste of time. The second is that the world ends on Tuesday."

Bill Gates e-mails his followers: "I have two pieces of good news. First, God recognises our importance, which is good news for God. Second, IBM stops shipping on Tuesday."

The Financial Times

100 years ago

A benighted colony

A rumour reaches London about every third day on the average that a loan has been obtained by Mr Secretary Bond on behalf of Newfoundland. The cynics have been heard to remark that rumours, rather than the loan, were the only things floating. This time, however, Reuter has inundated us with particulars on the subject. We are informed that $2,500,000 has been obtained from a London firm, and will be floated by Messrs Hansen of Montreal. The issue will be at 94, and the bonds will bear interest at 4 per cent. We trust that this rumour has something more substantial behind it than has usually been the case with the reports concerning Secretary Bond's efforts on behalf of this benighted colony.

50 years ago

Film studio for Toronto

According to a despatch from Montreal, Mr J.A. Rank has stated that a film studio will soon be erected in Toronto for the production of children's and educational pictures. Mr Rank also told reporters that Odeon Theatres of Canada have opened negotiations for the purchase of "sites for the construction of theatres across the country".

FINANCIAL TIMES
Thursday June 1 1995

China reported to have tested new nuclear missile

By Tony Walker in Beijing

China is believed to have test fired a mobile-launch ballistic missile that will provide it with a long-sought nuclear "second strike" capability.

Western military attache's in Beijing said the missile prototype was land-tested on either Monday or Tuesday in China's remote far-west Xinjiang region – site of its nuclear testing programme.

Development of the missile fits in with China's ambitions to be regarded as a strong international force. It also corresponds with its increasing assertiveness regionally, which is unsettling its neighbours.

The Chinese last month conducted their first nuclear test since October 1994. The test, which flew in the face of an informal moratorium sponsored by the US, triggered strong criticism internationally. Japan said it would reduce grant aid to China in protest.

China's foreign ministry declined to comment on the missile test, but China is known to be close to bringing the Dongfeng 31 mobile ICBM (intercontinental ballistic missile) into service. Jane's Strategic Weapons Systems reported last November that the Dongfeng 31, with a range of 8,000km and a payload yield of 250 kilotons, would be operational by 1996.

Wing Commander Ken Petrie, analyst with the International Institute of Strategic Studies in London, said the Dongfeng 31, which can be launched from converted lorries, represented an important step forward.

The solid-fuel three-stage missile will add versatility to China's nuclear arsenal as a mobile launch facility can make it more difficult to knock out nuclear capability in a first strike.

China has been developing the Dongfeng 31 since 1970, but according to Jane's, the missile underwent a major design change in 1985 to lengthen its range. Continental Europe and the American west coast are within range of the new missile.

The Chinese nuclear arsenal includes at least 15 silo-based ICBMs with ranges of up to 15,000km. These liquid-fuelled rockets are designated the Dongfeng 4 and 5. The arsenal also embraces up to 90 shorter range ballistic missiles.

Defence analysts said there was no indication at this stage that China was planning to load the Dongfeng 31 into its nuclear submarine fleet, but such a development could not be discounted in the longer-term.

China has one nuclear submarine capable of carrying and launching ballistic missiles. The Xia-class SSBN, launched in 1983, is equipped with 12 Cass-N-3 SLBMs – a two-stage solid-fuel missile with a range of 2,700km, and equipped with a single warhead of two megatons.

China has said it plans to initial the nuclear Comprehensive Test Ban Treaty when it comes up for signature within the next two years, but in the meantime, it is continuing its underground test programme.

Israel spells out details of peace talks with Syria

By Julian Ozanne in Jerusalem

Israel for the first time publicly outlined details yesterday of its negotiations with Syria on the timetable for a troop withdrawal from the occupied Golan Heights.

The move fuelled further speculation in Israel that the Labour-led government of prime minister Yitzhak Rabin has high expectations of making serious progress in forthcoming US-brokered talks with Syria.

Mr Shimon Peres, Israeli foreign minister, said on US television that Israel had proposed a four-year timetable for withdrawal from the Heights, but that Syria was demanding 18 months.

The withdrawal timetable is one of the four key issues Mr Rabin has said must be resolved in talks. Officials have up to now maintained strict secrecy on the extent of the differences between the two sides.

Apart from the withdrawal timetable, Mr Rabin said earlier this week that negotiations would have to resolve three other issues: security arrangements after a troop withdrawal; normalisation of relations; and delineation of the disputed international border.

It is the third time in a week that Mr Peres has made remarks about peace talks with Syria that go far beyond what any other Israeli official has been prepared to say. In previous statements in the past six days, Mr Peres said Israel recognised Syrian rights to the Golan Heights.

He also said that in negotiations with Syria, Israel would give up every square inch of the land it had occupied. Israel has so far refused to meet Syria's non-negotiable demand for a public commitment to full withdrawal from the Golan.

A senior official said Mr Peres' latest public campaign marked his fresh optimism about the prospect of progress with Syria after last week's announcement that the two sides had agreed a framework for security talks and the resumption of negotiations between the Syrian and Israeli chiefs of staff.

The campaign also marks Mr Peres' desire to exploit the current sense of momentum to draw Syria into a more substantial phase of negotiations. It is clearly part of the government's campaign to prepare a largely hostile public for a peace deal with Israel's most militarily threatening Arab neighbour.

Mr Peres has also brushed aside Labour party fears about the negative impact of a deal with Syria on the government's chances in November 1996 elections. "We are determined to win peace even if we shall endanger winning elections. We feel that winning peace is more important than winning elections."

Brussels plans shift to single currency by end of century

By Lionel Barber in Brussels

The European Commission yesterday launched a blueprint for achieving the irreversible shift to a single currency by the end of the century.

The 74-page green paper challenges popular resistance to economic and monetary union, and serves notice to sceptics in Britain and Germany that a decision on Emu is coming faster than widely appreciated.

The Commission paper is the first time Brussels has set out the nuts and bolts of Emu, but it is only the beginning of a long campaign on behalf of a project carrying big political risks as well as economic benefits.

The hurdles were underlined yesterday when the Commission disclosed that only Luxembourg, Ireland and Germany meet the debt and deficit criteria for Emu set out in the Maastricht treaty, though progress on inflation is more promising.

The Commission blueprint sets out a three-phase move to Emu, starting with a political decision on which countries qualify for the single currency sometime between the end of 1996 and July 1998 at the latest. General circulation of Euro-notes and coins would follow between three and four years later.

Mr Yves-Thibault de Silguy, EU monetary affairs commissioner, compared the launch of a single currency to the firing of a rocket: "We have to convince everybody that there is no going back."

Maastricht requires a majority of member states to meet "convergence criteria" targets on inflation, debt and exchange stability to qualify for Emu in 1997. The switch is automatic for any qualifying countries in 1999.

The Commission rules out a "big bang" approach, whereby the Ecu would enter circulation almost immediately after the locking of exchange rates on January 1 1999. Instead it calls for a "critical mass" of monetary transactions to be conducted in the new currency.

This approach puts the Commission on a collision course with the Bundesbank, which has proposed delaying using the Ecu until the smaller German provincial banks are on the same footing as their larger counterparts.

The paper warns that such a delay is not consistent with Maastricht, and does not ensure the credibility associated with a widespread use of the new currency in banking and finance.

Brussels blueprint, Page 2; Case for convergence, Page 13; Editorial Comment, Page 13

Car dispute

Continued from Page 1

the dispute and its impact on the functioning of the multilateral trading system.

Brussels is also worried that a bilateral settlement of the row could discriminate against European manufacturers.

● Nissan, Japan's second-largest carmaker, will halt production of sanctions-threatened US-bound Infiniti cars in the first 10 days of June.

Nissan produces about 4,000 such cars for the US market each month, but emphasised that its US distribution network had stocks sufficient for 60 days' sales.

Clinton's Bosnia policy

Continued from Page 1

withdrawal could raise tensions with Russia. President Boris Yeltsin cautioned yesterday against any potential rescue mission for the UN hostages and said that "2,000 marines will not solve the problem".

Mr Major said Britain remained opposed to withdrawal from Bosnia, in spite of the "despicable" hostage taking by the Bosnian Serbs. However, the extra troops would provide cover for a withdrawal "if it is forced upon us".

Reducing forces in Bosnia was one of four options presented by Mr Boutros Ghali to the UN Security Council. He rejected either the withdrawal of Unprofor in Bosnia as well as retaining the status quo. The third option called for the use of offensive action by individual states, but not under UN command.

Mr Robert Frasure, a senior US envoy, arrived in Belgrade yesterday for more talks with Mr Slobodan Milosevic, Serbia's president, on recognising Bosnia in exchange for a suspension of UN sanctions.

In a further twist in the hostage crisis, the Bosnian government has placed restrictions on the movements of 76 Ukrainian peacekeepers in Gorazde, one of six UN "safe areas" in Bosnia.

THE LEX COLUMN

The Fed fights back

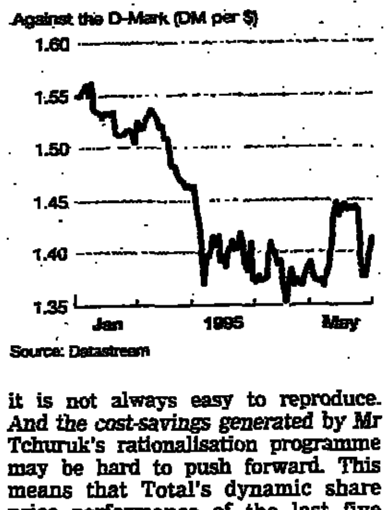
Central banks seldom catch markets off balance, so hats off to the Federal Reserve. Yesterday's intervention caught currency traders by surprise. The execution was particularly inspired, timed early in New York trading when the Fed never normally intervenes. The impact was doubly impressive because the Fed moved just after revised and apparently grim US gross domestic product figures were released. But while the headline looked worrying, the breakdown showed lower stocks than expected, reinforcing hopes of a soft landing – essentially good news for the dollar. For once, a central bank intervened with the tide rather than against it.

With hindsight, the need for intervention was clear. The dollar's hard-won gains during the first three weeks of May were completely wiped out last Thursday. And this week the currency had started drifting down to technical levels where the dollar bulls might be obliged to bail out.

But despite the Fed's success yesterday, the dollar is not yet out of the woods. True, it may be given a short-term boost if payroll figures, published tomorrow, are better than expected. But for any lasting impact, a policy initiative is required. That could take two forms. Though unlikely, the Bundesbank could surprise the markets by cutting interest rates today. Alternatively, and more effectively, the US administration could act to tackle the fundamental problem behind its weakness – the current account deficit. That will depend on whether recent rhetoric about reducing the budget deficit is translated into reality.

FT-SE Eurotrack 200: 1442.1 (-3.6)

Dollar



Source: Datastream

Total

The appointment of Mr Thierry Desmarest to replace Mr Serge Tchuruk at the top of Total is a mark of how far the French oil group has travelled in the past five years. That Mr Desmarest is an internal appointment, an unusual measure for a French company which is still partly state-owned, demonstrates the extent to which Total has found its feet in the private sector. Nor is it a coincidence that, while Mr Tchuruk spearheaded the rehabilitation of Total, Mr Desmarest was in charge of upstream operations, which helped transform Total into a integrated oil company. Its record in exploration has been impressive. As a result, generating cash flow will not be a problem for Mr Desmarest. The snag with exploration success is that it is not always easy to reproduce. And the cost-savings generated by Mr Tchuruk's rationalisation programme may be hard to push forward. This means that Total's dynamic share price performance of the last five years will be hard to repeat.

Ironically for a company which was once seen as primarily a refining and marketing operation, this is where its difficulties now lie. Like many of its competitors, its refining business is unprofitable due to overcapacity. This has dragged down return on equity, which was a poor 6.5 per cent in 1994. So although Mr Tchuruk has left the company in a strong position, there is still room for improvement. One answer may be disposals or the merger of refining operations.

Anglo American

Given that Anglo American Corporation has its fingers in so many South African pies, there were always going to be some high spots in last year's performance. The 20 per cent rise in net earnings reflected strong increases in base metals and coal prices and a higher dividend from JCI before it was restructured. The stirrings of economic recovery also helped propel profits from its broad range of industrial investments, albeit from a low base.

Nonetheless gold mining, once the mainstay of profits, has been held back by a lacklustre gold price and pressure on profit margins. An increase in the number of public holidays has hurt productivity, and Anglo looks unlikely to succeed in attempts to introduce Sunday working. In addition, there are few new projects to spark future growth. Mines in Mali, the Namakwa Sands project and the expanding Columbus stainless steel business, will provide some impetus. But there are insufficient investment initiatives to maintain the momentum.

Anglo's complex web of listed investments inevitably encourages valuations on the basis of net asset value. This rose by only 1 per cent, as last year's election euphoria died down. The management could, of course, take steps to reduce the NAV discount from its recent average of around 15 per cent. A programme of investment sales and corporate restructuring would help. But given the management's continuing opposition to such change, the future for investors looks decidedly unexciting.

Eurotunnel

Eurotunnel offered its long-suffering shareholders some crumbs of comfort at yesterday's annual meeting. After suffering from delayed starts, Eurotunnel's traffic volume appears to be growing at an encouraging rate as the crucial summer season gets under way. It now commands more than 25 per cent of the cross-channel passenger market, and its market share for freight has jumped to 35 per cent, according to preliminary May figures. Eurostar's success is an irrelevance under the existing financial structure. But the switching of some more of Eurotunnel's floating rate liabilities into fixed rate debt is mildly positive.

All this is cold comfort for shareholders. The fact is that even a massive surge in Eurotunnel's share of an expanding market would not be enough to plug the shortfall in its financing, which will run out at the end of the summer. Still, the stronger its performance now, the better Eurotunnel's chances of preserving at least some shareholder value. Eurotunnel has restated its aim of reducing debt service costs, and insists there is no intention of asking shareholders for more cash. But its banks are unlikely to agree to a reduction in interest charges without taking equity in return. Without an unexpectedly large windfall from its arbitration with the French and British railway companies, the best shareholders can hope for is that strong revenue growth will persuade bankers to take shares at a higher price, so limiting the dilutive effect on shareholders' capital.

Additional Lex comment on VSEL, Page 20

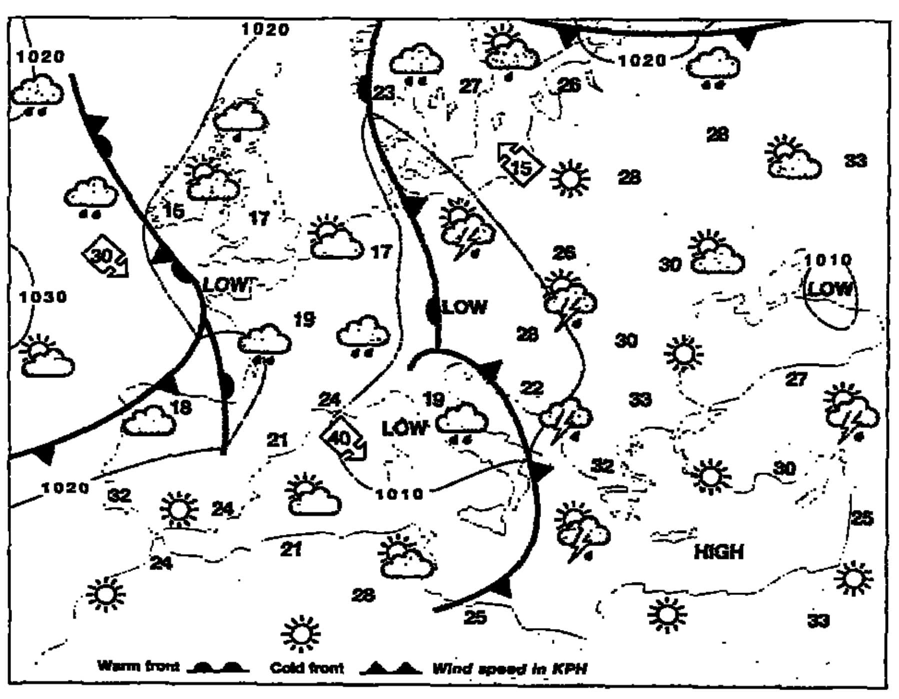
FT WEATHER GUIDE

Europe today

A frontal disturbance will cross central and northern Europe, producing cloud and showers over central Europe, eastern France, parts of Germany and western Norway. In the wake of this disturbance, the Low Countries and England will have sunny periods interspersed with scattered cloud. The disturbance's path will mark the boundary between warm and cool air. Therefore, in eastern and northern Europe, afternoon temperatures will exceed 20C but in western Europe maximum temperatures will remain below 20C. A new depression will move towards the continent resulting in cloud and patchy rain in the extreme north of Spain and the western edges of France and Ireland. Other parts of Spain and most of south-east Europe will have a lot of sun and afternoon temperatures above 25C.

Five-day forecast

Dunng the weekend, the new depression will remain stationary over the UK, giving cloud, rain and showers Later in the weekend, the wet conditions will move into the Low Countnes and France. Conditions in italy will improve over the weekend and skies will clear.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	40
Accra	shower	31
Algiers	sun	21
Amsterdam	fair	18
Athens	sun	29
Atlanta	thund	28
B. Aires	fair	19
B.ham	fair	17
Bangkok	thund	33
Barcelona	sun	21
Beijing	shower	29
Belfast	fair	15
Belgrade	shower	28
Berlin	rain	24
Bermuda	fair	26
Bogota	shower	19
Bombay	fair	34
Brussels	fair	19
Budapest	rain	27
C.hagen	shower	21
Cairo	sun	33
Cape Town	sun	16
Caracas	fair	31
Cardiff	drzzl	16
Casablanca	sun	24
Chicago	shower	24
Cologne	fair	20
Dakar	sun	27
Dallas	thund	31
Delhi	sun	45
Dubai	sun	38
Dublin	drzzl	15
Dubrovnik	shower	24
Edinburgh	shower	15
Faro	sun	27
Frankfurt	shower	20
Geneva	rain	19
Gibraltar	fair	24
Glasgow	shower	15
Hamburg	shower	18
Helsinki	shower	26
Hong Kong	shower	32
Honolulu	fair	30
Istanbul	sun	27
Jakarta	shower	32
Jersey	shower	16
Karachi	sun	37
Kuwait	sun	41
L. Angeles	fair	23
Las Palmas	fair	26
Lima	cloudy	22
Lisbon	sun	28
London	fair	19
Lux.bourg	fair	19
Lyon	rain	20
Madeira	sun	24
Madrid	sun	27
Majorca	sun	22
Malta	sun	23
Manchester	fair	18
Manila	thund	30
Melbourne	cloudy	14
Mexico City	shower	21
Miami	fair	31
Milan	rain	20
Montreal	sun	29
Moscow	fair	27
Munich	rain	21
Nairobi	shower	25
Naples	rain	21
Nassau	thund	31
New York	sun	31
Nice	shower	22
Nicosia	sun	32
Oslo	rain	23
Paris	fair	19
Perth	sun	20
Prague	rain	24
Rangoon	thund	32
Reykjavik	cloudy	12
Rio	sun	24
Rome	rain	21
S. Frsco	fair	21
Seoul	fair	26
Singapore	fair	33
Stockholm	fair	26
Strasbourg	rain	19
Sydney	shower	18
Tangier	sun	27
Tel Aviv	sun	28
Tokyo	fair	22
Toronto	fair	27
Vancouver	fair	21
Venice	rain	22
Vienna	rain	24
Warsaw	shower	27
Washington	sun	30
Wellington	shower	11
Winnipeg	shower	28
Zurich	rain	14

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IN BRIEF

Prince studies Berlusconi stake

The Saudi prince who rescued the EuroDisneyland theme park and bought a controlling stake in New York's Plaza Hotel is heading a consortium which could buy a large stake in Mr Silvio Berlusconi's Italian media business. Mr Berlusconi's Fininvest company owns Italy's three main commercial television channels and Publitalia, an advertising agency, but may be forced to sell two of the channels. Page 16

Elf Aquitaine sees sharp first-half rise
Elf Aquitaine, the French oil group, forecast a sharp increase in results in the first half of the year. It estimated that operating profits would almost double compared with the same period in 1994. Page 16

Kaufhof warns of difficult year
Kaufhof, the German retail group, said it hoped to keep profits steady this year after a steep decline in 1994, when net income fell 43 per cent to DM137m ($98.6m). Page 16

Solid rise in earnings at Anglo American
Anglo American, the largest of South Africa's industrial conglomerates, reported total net earnings of R3.36bn ($917m) for the year to March 31, up 20 per cent from last year. Page 17

Vital Forsikring board rejects offer
Vital Forsikring, Norway's second largest life and pension group, has rejected Den norske Bank's offer to acquire the company and strongly urged shareholders to do the same. Page 16

Seagram to hold stake in Time Warner
Seagram, the Canadian drinks group, plans to retain its 15 per cent stake in Time Warner, the US media and entertainment conglomerate, in spite of its purchase of 80 per cent of Los Angeles-based MCA. Page 18

Jobs to go in Mobil's European restructure
Mobil, the US oil company, is to restructure its European refining operations which will cost it $180m and affect up to 500 jobs. Page 18

Kingfisher warns of more losses at Comet
Analysts were again down-grading profits forecasts for Kingfisher after the UK retail group warned of increased interim losses in its troubled Comet electrical chain. Analysts downgraded group full-year profits forecasts by about £10m to £300m ($471m). Page 20

Writs served on TI Group for US deal
TI Group, the specialist engineering and aerospace company, has been served with writs alleging that one of its subsidiaries defrauded the US Air Force of more than $20m. The writs, served in the High Court, claim that Dowty Woodville Polymer overcharged the USAF for components used on swing-wing aircraft. Page 20

New properties help MEPC
Acquisitions helped MEPC, the second-largest UK property company, report a 25 per cent increase in pre-tax profits from for the six months to March 31. Page 20

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)				**PARIS (FFr)**			
Rises				**Rises**			
BHF	630	+	11.5	Bancaire Comp	620	+	21
Lefbalt	690	+	15	Cred Lyon (CI)	281	+	9
Schering	982	+	14	Suez	253.9	+	5.1
Falls				Total B	307.6	+	8.1
Heidelb Zem	1175	–	28	Unibail	518	+	20.9
Holzmann	735	–	15	**Falls**			
Kaufhof	470	–	8	SGS-Thomson	174	–	8
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Falls**			
Acme Elec	27¾	+	2	Fuji Spinning	376	–	26
Micron	43⅜	+	1¾	Hino Motors	650	–	43
Talley Inds	9⅜	+	1⅜	Kikkoman	640	–	49
Falls				Marudai Food	598	–	36
LSI Logic	33¾	–	3⅛	Mitsui Soko	825	–	43
Royal Caribbean	25	–	1⅝	Niigata Eng	297	–	22
Zilog	38⅝	–	1⅛	**HONG KONG (HK$)**			
LONDON (Pence)				**Rises**			
Rises				Cathay Inv	9	+	0.4
Dewhurst A	107	+	12	Dah Hwa Intl	4.1	+	0.4
Kode Int	73	+	9	Hang Seng Bank	60	+	2.25
Merivale Moore	73	+	8	**Falls**			
Falls				KPI	0.55	–	0.09
Harrington Klb	31	–	8	Truly Intl	0.94	–	0.04
MR Data Mngmt	55	–	35	Vincent Int	0.4	–	0.04
Simrata	83½	–	8½	**BANGKOK (Baht)**			
TORONTO (C$)				**Rises**			
Rises				Intl Cosst	110	+	10
Diamond Fields	73¼	+	4⅞	Kiatnakin Fin	108	+	9
Gandalf Techs	8⅝	+	½	Sri Charoen	188	+	15
Intl Corona	4.55	+	0.65	Unithai Oxide	128	+	11
Rap Waste	17	+	1⅝	**Falls**			
Speedy Muffler	13	+	½	Chiang Mai	27	–	3
Falls				Thai Orient	21.5	–	2.25
Golden Star	9⅝	–	⅝				

New York and Toronto prices at 12:30.

Kerkorian drops Chrysler 'offer'

A $22.8bn bid plan has failed but US investor is still thorn in carmaker's side

By Maggie Urry in New York

Mr Kirk Kerkorian's Tracinda Corporation yesterday threw in the towel on its controversial $22.8bn proposed bid for Chrysler. But it remains committed to "maximising value for all shareholders" and will not sell its 10 per cent stake in the automotive group, Tracinda said.

It has appointed Wasserstein Perella, the New York merger and acquisition specialist, as a "general strategic adviser". Mr Alex Yemenidjian of Tracinda said "withdrawing our offer will permit us to take a fresh look at the situation and evaluate our alternatives".

Chrysler did not comment on Mr Kerkorian's announcement.

The proposed bid was revealed on April 12, and Tracinda was joined in its approach by Mr Lee Iacocca, the former chairman of Chrysler. However, the plan was never formally launched, and it in effect collapsed at the end of April when Tracinda admitted it had failed to find financing to back the proposed $55-a-share offer.

Chrysler shares touched $52¼ when the bid was first suggested but fell over the following days as the likelihood of the offer succeeding faded. Yesterday they were $¼ lower at $42⅝ in morning trading.

Tracinda declined to list the options open to it. One insider said that anything was possible other than a sale, adding "the fact we are withdrawing this offer does not mean we are going away. There is a lot more value there".

The main bone of contention between Chrysler and Tracinda is the carmaker's insistence that it needs to retain $7.5bn in cash reserves to protect it during the tougher trading conditions it is predicting. Tracinda has argued that part of that money could be given to shareholders.

Speculation over possible moves by Tracinda included engaging in a proxy battle by attempting to persuade other shareholders to agitate for higher dividends, or for Tracinda to increase its holding. Last December Chrysler lifted the limit on any one shareholder's stake from 10 to 15 per cent.

Mr Bruce Wasserstein, chairman of Wasserstein Perella, said: "Kirk Kerkorian is a serious long-term investor whose track record speaks for itself. We hope to provide a new perspective and play a constructive role in achieving Tracinda's objectives."

Mr Kerkorian has been Chrysler's largest shareholder for nearly five years. He bought 22m shares in December 1990 at $12⅝ a share, and another 6m in October 1991 at $10¼. The other 8m shares were bought in 1993 and 1994 when the stock price had risen.

Tracinda had been pushing Chrysler to improve the lot of its shareholders behind the scenes for some time. Since the bid was put forward Chrysler has increased its quarterly dividend by 25 per cent to 50 cents.

However, Chrysler maintains that the dividend increase was not in response to Tracinda's move. It has raised the dividend from 15 cents a quarter in December 1993. Last December it announced a $1bn share buy-back plan. Mr Robert Eaton, the Chrysler chairman, told the last annual meeting that Mr Kerkorian's tactics were disruptive.

France moves to sell Usinor in weeks

By John Ridding and David Buchan in Paris

France's new conservative government yesterday launched its privatisation programme, announcing plans to sell Usinor Sacilor, Europe's largest steel producer, within the next few weeks.

The sale, which is expected to value the company at about FFr20bn ($4bn), will be accompanied by a FFr5bn capital increase. The operation is expected to bring the state between FFr10bn and FFr12bn.

Mr Alain Juppé, the Gaullist prime minister, is aiming for total receipts of more than FFr50bn this year to help reduce the budget deficit and finance job creation schemes.

A recovery in steel prices has also encouraged a rapid sale of the steel group. Mr Francis Mer, chairman, has pushed for a quick sell-off to avoid the downturn in the cycle and to capitalise on Usinor's revival, which returned to profit of FFr1.5bn last year after losses of FFr5.7bn in 1993.

The Usinor sale is likely to prove delicate. Trade unions have opposed privatisation, which they believe will prompt further job cuts. Usinor has already reduced its French workforce by almost 11,000 over the past four years. Mr Mer and the government took steps to reassure employees and trade unions yesterday. Mr Mer said: "The period of massive job cuts is a thing of the past." The government said no lay-offs were anticipated under the privatisation process. It said Usinor's state-funded early retirement benefits scheme would be maintained and in return the steel group has agreed to continue to support its job-search subsidiary for redundant workers.

Industry observers said the measures could limit enthusiasm for the sale. "It is a cyclical company and now it seems it will have a hand tied behind its back," said one.

Details of the issue are expected to be announced within the next week and the timing of the sale will depend on market conditions. Most of the shares are expected to be offered to institutional investors and possibly industry partners. The public is expected to be offered about 20 per cent of the issue, while the government will reserve a tranche for employees. The state, which holds about 80 per cent of Usinor, will retain a stake.

BAe puts faith in previous share offer for VSEL

By Bernard Gray, Defence Correspondent

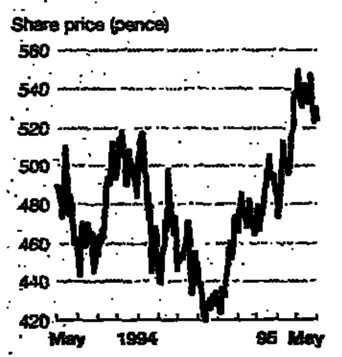
British Aerospace has reopened its campaign to buy VSEL, the UK submarine maker, with an offer of 3.3 BAe shares for every VSEL share. The offer values VSEL at £678m ($1.06bn) at BAe's Tuesday night closing price of 530p. As an alternative, BAe has offered £16 cash for every VSEL share.

The share offer is the same as that made by BAe before it was referred to the Monopolies and Mergers Commission in December, while the cash offer is backed by the proceeds of the company's recent rights issue.

GEC, the other UK company courting VSEL, declined to comment on BAe's offer and has yet to decide on its revised bid. GEC has until June 13 to submit a counterbid.

BAe's shares fell 6p to 524p making its offer for VSEL worth

BAe
Share price (pence)



Source: Datastream

£17.30. VSEL's shares closed almost unchanged at £17.90, reflecting market sentiment that the bidding war was likely to go higher.

Mr Richard Lapthorne, BAe finance director, said "this offer reinstates the value of our bid for VSEL. We are determined to make a success of the acquisition which we think makes complete strategic sense for BAe's core defence business."

With GEC likely to offer cash for VSEL and BAe continuing with an offer primarily in shares, the battleground in the contest is likely to centre on the value of BAe's shares. Their value will be affected by factors including perceptions of the company's recovery prospects, the extent to which there is any premium reflecting hopes of a bid from GEC for BAe, and future contracts which might be won by either company.

The most significant contract likely to be decided while the bids are in progress is that for the UK's £2bn anti-tank helicopter programme. Both GEC and BAe have contenders in the competition, as does GKN, owner of Westland Helicopters.

The attack helicopter competition, and the £2.5bn Trafalgar submarine contract which is likely to go to VSEL, are two of the largest defence contracts to be awarded by the UK in the next 10 years.

If BAe were to win the helicopter deal, it might strengthen its share price and increase its chances of winning VSEL. Conversely, if GEC were to win the helicopter, that might depress BAe's share price and its chances. There is thus a chance that one company could win both the Trafalgar and helicopter contracts, substantially broadening its range of work and strengthening its hand in the struggle for dominance in the UK defence market.

Lex, Page 20

Rights issue this year ruled out but bank negotiations to restart

Eurotunnel to press banks on rate cuts

By John Gapper and Geoff Dyer

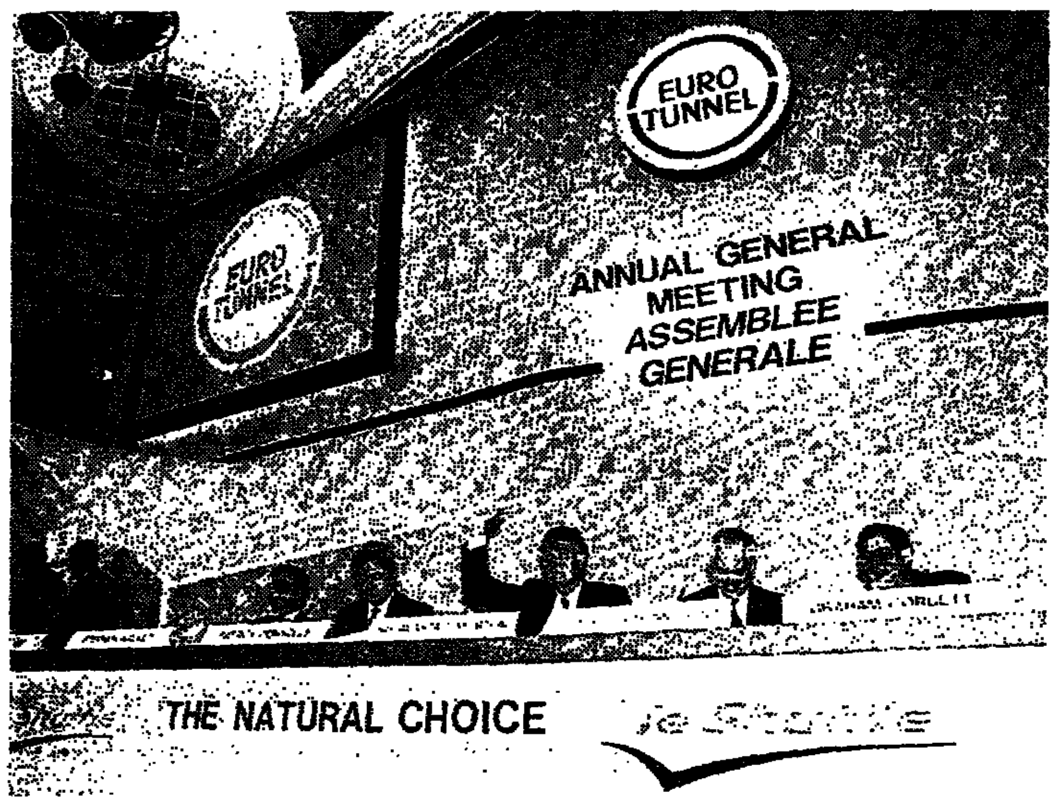
Eurotunnel, the Anglo-French operator of the Channel Tunnel, yesterday warned its 225 banks that it would press for a cut this autumn in interest payments on its £6.8bn debt ruling out a further rights issue this year.

Sir Alastair Morton, co-chairman, told the group's annual general meeting in London that it would negotiate with banks both "the cost and timing" of interest payments, and would "approach that debate in a robust frame of mind".

He said afterwards that the 1.6 per cent average margin on its debt was "no longer appropriate" as the risks were now smaller, although without further refinancing the project is likely to run out of cash by the end of next year.

Sir Alastair said it was "wrong to assume" that banks would be offered a debt-for-equity swap in negotiations. Bankers to the project also said they would be unlikely to sacrifice the priority rights by swapping debt for equity.

However, Eurotunnel is thought likely to seek refinancing of some debt in a fresh loan, convertible into equity in up to five years' time. This might include a call option to allow the company to avoid conversion if cash flows improve.



Fergus Wilkie

On the platform, from left: Stephen Walker, company secretary; Patrick Ponsolle, co-chairman; Sir Alastair Morton, co-chairman; Georges Chazot, chief executive; Graham Corbett, chief financial officer

Bankers said they might press for another rights issue to bridge the funding gap up to the estimated break-even point in 1998, although Sir Alastair told shareholders that it did not "plan to ask you for more equity this year". One banker said Eurotunnel's financing costs were likely to fall by early next year by a quarter of a percentage point, as the project was declared complete. It could also gain from the ending of fees from guarantees on £950m of its debt.

Bankers suggested Eurotunnel might either try to refinance debt with one of its leading banks, or seek additional finance from a long-term credit bank. "It is a different prospect now from a tunnel that is not finished," said a banker.

Eurotunnel is seeking cash from other sources, although it appears unlikely to gain £150m from conversion of warrants on October 31 because the conversion price is 310p. Its shares quoted in London closed 6p down at 182p.

Sir Alastair said a decision was expected between by September over whether Eurotunnel could proceed with a £2.3bn claim against its railway operators.The case is in arbitration at the International Chamber of Commerce.

Mr Patrick Ponsolle, co-chairman, said it would also renew a battle to stop duty-free sales on cross-channel ferries and aircraft. The group is paying a rate of interest of 7.1 per cent on its £6.8bn debt, compared with a the forecast of 6.15 per cent in last year's rights issue prospectus.

Lex, Page 14

Salomon wins advisory role in Telefónica sale

By Tom Burns in Madrid

The Spanish government yesterday appointed Salomon Brothers, the US investment bank, as its financial adviser for the sale of 12 per cent of the equity it owns in Telefónica, the domestic telecommunications group.

The sale, which is due before the end of the year, is likely to raise about Pta182bn ($1.5bn) at current market prices and will reduce the government's ownership of Telefónica to 20 per cent.

Salomon's mandate, which could earn it up to $3m in fees, represents a leap for the bank's business in Spain where recent large public disposals such as the energy group Repsol, the electricity generator Endesa and the Argentaria banking corporation, have been managed by rival US institutions Goldman Sachs and Morgan Stanley.

Salomon raised its profile with the Spanish government when it played an important role in valuing different bids for the troubled Banesto, which was acquired by Banco Santander a year ago.

The advisory role that Salomon has gained in Telefónica will strengthen its presence in the global telecommunications sector, which a senior executive of the bank in London said had become "the main industrial priority for the firm".

It confirms Salomon's expansion from the US sector and its increasing role in Europe where it advised Matav, the Hungarian telecommunications company, in its $875m partial privatisation late in 1993.

The Telefónica disposal is viewed by analysts as complex, in part because several European telecommunication groups plan disposals soon, and in part because of the imponderables surrounding the Spanish operator as it braces for full privatisation and the deregulation of the domestic telecommunications sector by 1998.

In addition to a partial privatisation of Portugal Telecom, Italy's telecommunications company, Stet, is due to tap the market this year. Similar disposals are expected by France Telecom and Deutsche Telekom.

The Spanish government is in a hurry to sell off its equity in Telefónica to reduce its budget deficit and meet the Maastricht treaty's convergence criteria for economic and monetary union. A 12 per cent disposal has been earmarked for this year and, in a move that could unsettle the market's approach to Telefónica paper, the government has indicated that it will reduce its equity in the telecoms group to a token level within three years.

Analysts are meanwhile unsure about how Telefónica will cope with a full deregulation of the domestic sector which the government has brought forward from 2003 to 1998 when a second licence for basic telephony will be awarded.

To ensure continued national control of Telefónica, the government has encouraged the creation of a core group of domestic investors built around the big retail bank, Banco Bilbao Vizcaya, the state-controlled financial group, Argentaria and the Barcelona-based savings bank, La Caixa. The group owns 7.5 per cent of Telefónica's equity but it is not clear whether it will be reserved part of the 12 per cent equity sale.

Rescuer of Euro Disney studies Berlusconi stake

By Andrew Hill in Milan

The Saudi prince who rescued the EuroDisneyland theme park and bought a controlling stake in New York's Plaza Hotel is heading a consortium which could buy a large stake in Mr Silvio Berlusconi's Italian media business.

But Prince al-Waleed bin Talal bin Abdul, nephew of Saudi Arabia's King Fahd, is unlikely to make any move until after Italy's referendums on June 11, when Italians will vote on the future of commercial television.

Mr Berlusconi's Fininvest owns Italy's three main commercial television channels and Publitalia, an advertising agency, but may be forced to sell two of the channels after the vote.

Saudi Arabian financial sources cited by the Reuter news agency yesterday confirmed a report in La Repubblica, the Italian daily newspaper, that the prince met the former Italian prime minister on Sunday.

According to the report, the prince and allies are interested in a 35 per cent stake in Mediaset, the holding company for Mr Berlusconi's television and advertising interests. Fininvest declined to comment.

La Repubblica said Prince al-Waleed could be allied with Time Warner of the US and Kirch, the German television group. Kirch has already expressed an interest in the sale of Mr Berlusconi's media interests.

Mr Berlusconi is also in preliminary talks with Mr Rupert Murdoch, the Australian-born media entrepreneur who heads News Corporation, about the future of his media group. The two met in Rome last week, and Mr Murdoch has said he would buy Mediaset and then seek minority Italian shareholders.

But the referendum is only the first hurdle to a possible deal between Mr Berlusconi and foreign partners. Italian public opinion is also likely to be hostile to foreign ownership of television interests.

In 1991, Prince al-Waleed bought about $590m of convertible stock in Citicorp, the US banking group. Last year, he bought 25 per cent of Euro Disney, which operates the theme park near Paris, and in April he took control of the Plaza Hotel with another partner.

CIP investor group defeated

By Andrew Jack in Paris

Minority shareholders in Compagnie d'Investissments de Paris, a quoted French holding company, yesterday lost their battle to change group policy.

Elliott Associates, a US-based investment fund which has a stake in CIP, failed at the annual meeting to win sufficient backing for its resolutions. .

It had argued for an increase in the dividend and proposed that CIP buy back some of the shares to help reduce their discount to net asset value.

Elliott had tabled a series of resolutions following concern that the board of CIP had been unresponsive to its concerns about group strategy.

However, the US fund managed to generate support from other shareholders in CIP, in a relatively unusual exercise of minority shareholder power within France.

Elliott, however, lost largely as a result of opposition from Banque Nationale de Paris, which holds almost 90 per cent of the voting rights of CIP.

However, Mr Michel Pebereau, BNP chairman, said CIP had followed a consistent strategy since it was quoted in 1987. He said the discount on the share price reflected, among other things, the performance of the French stock market.

Mr John Pollock, portfolio manager of Elliott, described the CIP board's views on his proposals as "outdated", although he conceded some progress had been made in opening up discussions with the board.

Kaufhof warns of difficult year

By Andrew Fisher in Frankfurt

Kaufhof, the German retail group, said yesterday it hoped to keep profits steady this year after a steep decline in 1994, when net income fell 43 per cent to DM137m ($96.6m).

However, it expects 1995 to be another difficult year in which higher profits would be achievable "only with a great effort".

Turnover in the first four months was 4.6 per cent higher at DM7.4bn, with specialised media, consumer electronics and computer outlets providing most growth.

Department store sales were lower because of restructuring – including the integration of the Horten stores bought last year – and flat consumer spending.

Mr Wolfgang Urban, the chairman who in March replaced Mr Jens Odewald, said: "We shall do everything to achieve a result in 1995 which is at least at last year's level." He called profits in the first four months "relatively satisfactory".

The company, controlled by Metro, the privately-owned Swiss-based cash and carry concern, has announced a dividend cut to DM12 a share from DM13.50, putting it back to the level of 1992. Profits were hit by poorer results in the store and travel divisions. It has recently sold most of its travel interests.

Mr Urban said investment this year would be around half 1994's DM1.5bn.

Kaufhof was studying areas of growth which, he said, would include the foreign expansion of some specialised retail businesses.

Vital board rejects offer from Den norske

By Karen Fossli in Oslo

Vital Forsikring, Norway's second largest life and pension group, yesterday rejected Den norske Bank's offer to acquire the company and strongly urged shareholders to do the same.

Vital's board argued that the bank's proposals did not guarantee "continuation of the positive corporate culture and organisational form which ... have been successful and valuable contributions to the Norwegian insurance market."

The move intensifies a two-week battle between DnB, Norway's largest bank, and Aegon, the Dutch insurance group, to gain control of Vital. In its controversial dual role, the government is the regulator and holder of a 72 per cent stake in DnB.

On May 2, Aegon offered NKr103 a share for Vital; two weeks later, DnB launched a counter-bid of NKr110.

Aegon last Friday withdrew its offer, saying it would wait for the outcome of DnB's bid before submitting its own formal proposal, which is expected to match DnB's offer.

DnB's formal offer was sent to shareholders on May 23 for acceptance on June 8. Vital's board had originally urged shareholders to wait until the end of the acceptance period before deciding on DnB's offer.

Vital said Aegon was taking steps to apply immediately for permission to acquire all of Vital's shares.

DnB responded to the rejection by assuring Vital that the company, with the bank as its owner, would retain its board, identity, name and logo and continue to be based in the west coast city of Bergen.

It said Vital would be owned by Vital Holding, which, in turn, would be owned by DnB. It said Vital would be responsible for DnB's life insurance and capital management operations. DnB Investor and Aktiv, two DnB units, would be incorporated into Vital.

However, Vital said DnB could not provide the company with insurance expertise.

Tchuruk to head Alcatel Alsthom

By John Ridding in Paris

Mr Serge Tchuruk, chairman of Total, yesterday announced that he would move from the head of the French oil group to take charge of Alcatel Alsthom, the engineering group which has been rocked by corruption investigations and falling profits.

Alcatel has been eager to resolve a crisis sparked by the departure of Mr Pierre Suard, who was forced to step down as chairman after being placed under investigation in a corruption probe in April. The company said Mr Tchuruk would take over later this month.

The Total chief, a respected manager, is to be replaced by Mr Thierry Desmarest, his deputy at the oil group. Mr Tchuruk will remain on the Total board.

Shares in Total responded favourably, rising FFr8 to FFr307.6. At Alcatel, the imminent arrival of Mr Tchuruk prompted another healthy rise, pushing shares up FFr13.1 to FFr451.8. Alcatel had already gained almost 4 per cent on the stock market on Tuesday amid speculation about Mr Tchuruk's appointment.

"It is good news for two reasons," said one analyst. "It ends the uncertainty hovering over Alcatel for the past six months or so, and it brings in someone of calibre."

Mr Tchuruk, who has no experience of the telecoms and engineering sectors, inherits a group with big problems.

Last year, Alcatel's net profit fell about 50 per cent to FFr3.62bn ($738.7m), the first decline in its history. It has also been shaken by the corruption investigations, although it denies any wrongdoing.

However, Alcatel remains one of France's most profitable companies and one of its biggest exporters.

Deputy slips into Total's top spot

Mr Thierry Desmarest's career in the French administration and at Total has taken him from Algeria to New Caledonia and then on to Latin America. Yesterday, it took him to the top post of the French oil group.

Mr Serge Tchuruk's decision to move to Alcatel Alsthom, the ailing transport, telecoms and engineering concern, opened the way for Mr Desmarest to move smoothly in behind the chairman's desk.

There is more to his appointment than a simple changing of the guard at two of France's biggest companies: It is a rare example of internal succession at the top levels of French industry.

Mr Desmarest is presented with a hard act to follow. Mr Tchuruk is regarded as one of France's top managers, steering Total through recession in the world oil industry, while increasing productivity and cutting costs.

The 15 per cent profits rise at the oil group last year, to FFr3.4bn ($693.5m), is evidence of Mr Tchuruk's achievement, and raises concerns about his departure. "It cannot be good news for Total," said Mr Aymeric de Villaret, oil industry analyst at Société Générale in Paris.

But Mr Desmarest has some cards up his sleeve. He knows the company well, having joined the group in 1981 after several years in the administration of the industry ministry. Over the next decade he moved through many of the group's most important geographical operations before becoming managing director of exploration and production in 1989.

In this post, he has been responsible for one of the company's more successful areas. In particular, discoveries of oil and gas in Colombia and Indonesia have helped buttress Total's reserves, increasing them from 3.6bn barrels of oil equivalent five years ago to about 4.3bn barrels today.

For the past five years, the 49-year-old Mr Desmarest has been on the company's executive committee, a group of about half a dozen top managers who work closely with Mr Tchuruk. The outgoing chairman yesterday emphasised his confidence in the team. "If I had the slightest doubt about their ability to continue our strategy I would have refused the offer without hesitation," Mr Tchuruk told a shareholders meeting. He said he regarded Mr Desmarest as "his closest collaborator" at the group.

The net result appears to be an emphasis on continuity rather than change. "The strategy is in place, and it is unlikely that Mr Desmarest will see the need to adjust the course," said one industry observer. "After all, he has been one of the main players in the team."

The appointment of Mr Desmarest, however, does reflect another kind of change. The latest move in a series of high-profile successions in French business, it is one of the very few to involve an internal appointment.

At Générale des Eaux, the utilities and communications group, Mr Jean-Marie Messier, an investment banker, was brought in last year as managing director and heir-apparent to Mr Guy Dejouany. PSA Peugeot-Citroën, the automotive group, last week announced it was hiring Mr Jean-Martin Folz from Eridania Béghin-Say, the foods group. The move was interpreted as a step in preparing for the succession of Mr Jacques Calvet, the current chairman. Alcatel provides a further example. Mr Tchuruk, after all, has no experience of telecoms or of the high-speed train industry.

Internal successions are not unheard of in France. In March, Mr Alain Joly moved up from the number two slot at Air Liquide, the industrial gases group, to take over the chairmanship. In family-controlled businesses, such as Bic or Bouygues, internal and hereditary succession is the commonplace.

Beyond the French family industrial empires, however, internal appointments are the exception rather than the rule. At Total, Mr Desmarest's rise is seen as evidence of the change in corporate culture under Mr Tchuruk and his shift towards a more collegial management style, away from the all-powerful model of the French president directeur general. For Mr Desmarest, that legacy is likely to be of comfort as he takes his new post.

John Ridding

Elf Aquitaine sees sharp first-half increase

By John Ridding

Elf Aquitaine, the French oil group, yesterday forecast a sharp increase in results in the first half of the year. It estimated that operating profits would almost double compared with the same period in 1994.

Mr Philippe Jaffré, chairman, cautioned against extrapolating the first-half trends, but said the company expected a big increase in current net income for the full year. Its shares rose FFr13 to FFr401.

The French oil group reported operating profits of FFr4.4bn ($897.4m) in the first half of last year. After yesterday's comments by Mr Jaffré, some industry analysts revised upwards their forecasts for operating profit for the first six months of 1995, to about FFr9bn.

The optimistic tone on trading was tarnished by the disruption of the company's annual shareholders' meeting. Trade unionists at the group, who expressed fears about possible job cuts, forced a temporary suspension of the Paris meeting.

Referring to the improved trading performance, Mr Jaffré cited the increase in crude oil prices which has lifted the sector as a whole. The refining and marketing sector, he cautioned, continued to suffer from a decrease in margins.

INT'L COMPANIES AND FINANCE

Euro Disney opens new attraction

By Andrew Jack in Paris

Euro Disney, the operator of the Paris-based theme park, yesterday refused to provide projections of the number of new visitors expected to be attracted by its new Space Mountain ride.

However, it said experience showed that big attractions increased attendance by about 1m in US parks.

Inaugurating the new ride, Mr Philippe Bourguignon, chairman, stressed that the estimated impact of additional visitors as a result of the Space Mountain had been taken into account in financial projections approved as part of the park's restructuring.

The shake-up was agreed last year with creditor banks and shareholders.

Mr Roy Disney, vice-chairman of Walt Disney of the US, stood by the group's decision to locate its European park near Paris.

Asked where he would place the park if he had the chance to start again, he replied "You are sitting in the place" – in spite of financial difficulties that have plagued it since its opening.

Mr Bourguignon said plans were under way to develop a second theme park in the Euro Disney complex.

However, he said his objectives were now focused on bringing the existing site into profitability by the end of next year.

Mr Tim Delaney, responsible for designing Space Mountain, admitted there were faster and taller roller coasters in other theme parks. However, he said the new ride was "a lot more story orientated and designed for the entire family" than many of its competitors, in line with the Disney philosophy.

● Mr Gilles Pelisson is joining Euro Disney as executive vice-president, responsible for overseeing all aspects of the theme park and resort operations.

He was previously co-president of Novotel Hotels after spending 12 years with the Accor Group.

Rollercoaster ride towards break-even

If you sit in the front seat of the Space Mountain roller-coaster which opens today at the Eurodisney theme park near Paris, you will probably finish the trip in tears, such is the speed at which it careers along the track.

But Space Mountain could prove to be a tear-jerker in another sense, in that it symbolises what could prove to be the park's saviour.

"It's an important psychological event," says one staff member. "It allows us to turn the page on the past, and to return to our *raison d'être* in the park." He is referring above all to the painful financial restructuring negotiated with bankers and shareholders last summer. This rescued the park in the short-term but left doubts about its prospects for survival.

Euro Disney executives maintain the financial black cloud over the park was largely to blame for the 10 per cent fall in the number of visitors, to 8.8m, in the year to September 1994.

They hope the opening of the FFr600m ($118m) Space Mountain – backed by extensive advertising – will re-establish the leisure attractions as the main image of the park in the public's mind, and so significantly boost the number of visitors.

One difficulty in assessing the impact of the new ride is Euro Disney's reluctance to reveal information.

"If we have learnt one thing in the last three years, it is to be prudent," says one insider. That applies not only to its internal forecasts, but also to setting any objectives publicly.

Mr Philippe Bourguignon, chairman and chief executive, will say only that Space Mountain should help bring the park towards its current capacity of 13m visitors.

He makes no specific predictions about the contribution of the new ride, but maintains that the company can achieve the objectives agreed during last year's restructuring: that is, to become profitable by the end of next year.

Space Mountain is clearly only one factor in the recovery. Equally important is the company's ambitious cost-cutting programme, and wide-ranging changes to entry, hotel and food prices, implemented last season and early this year.

The new ride partly responds to criticisms about lengthy waits for some attractions, Space Mountain is offering a capacity of 2,600 people an hour, and distractions for those queueing.

While Euro Disney remains convinced that its visitors generally want a US-inspired theme park experience, it has for the first time made a concession to its largely Europe clientele by modelling the new attraction on Jules Verne's *From the Earth to the Moon*.

But as it hurtles towards its deadlines to break-even, Euro Disney faces new challenges. Most important, it will have to pay increased financial charges from the end of 1996, by which time analysts predict it will need to be attracting 12.5m visitors. The charges were reduced during last summer's restructuring.

It also faces growing competition across Europe, with discussions advancing on a new theme park in Germany, and the opening in Spain this summer of the Port Aventura park (managed by Tussauds Group, part of Pearson, the UK media group that owns Financial Times).

The next two years should show whether the tears on the faces of Euro Disney's executives riding Space Mountain will be those of joy or pain.

Andrew Jack

NEWS DIGEST

Zurich Insurance sees further surge in profits in 1995

Zurich Insurance, one of the world's leading general insurers, said it expected another strong profit increase in 1995, writes Ian Rodger in Zurich.

Zurich achieved a 13.4 per cent rise in consolidated net income last year to SFr695.4m ($610m), on gross premium income up 1.2 per cent to SFr25.2bn. Investment income fell 3.4 per cent to SFr4.84bn.

Mr Rolf Hüppi, chief executive and chairman-elect, told the group's annual press conference that internal premium income was expected to grow by between about 6 per cent and 8 per cent this year, with an additional 2 per cent arising from the expected acquisition of the business of Home Insurance in the US. He forecast that deal, which earlier this week was approved by regulators in New Hampshire, would be completed by the end of June.

He said that following the closing of the Home deal and the planned acquisitions of two life insurance companies from the US Kemper financial group late this year, Zurich would be close to its goal of making life insurance 30 per cent of its total business.

Koor Industries drops bid for El Al stake

Koor Industries, one of Israel's biggest holding companies, has decided to drop its bid for a controlling interest in El Al, the Israeli airline, Reuter reports from Tel Aviv. "We decided to do so after the government delayed a decision on the fate of El Al," a Koor source said.

Earlier this year, Koor said it was interested in a 51 per cent stake in El Al, together with a consortium of local and international investors. Koor held talks with Israeli finance and transport ministry officials in recent months but no progress was made.

In March, the government said it was delaying a planned sale of El Al shares in Israel and abroad until at least October. El Al emerged from receivership in February.

Israeli bank lifts income to Shk165.5m in term

Bank Leumi, Israel's second-biggest bank, said first-quarter net income rose to Shk165.5m ($55.7m) from Shk101.0m in the year-earlier period, Reuter reports from Tel Aviv. The figures are adjusted to the consumer price index.

The bank attributed the rise to an increase in deposits and in loans due in the three months to March 31.

Operating income before taxes rose 11.7 per cent to Shk217.6m from Shk194.8m, while provision for doubtful debts was Shk104.8m, down 27.8 per cent. Total consolidated assets rose to Shk104.6bn from Shk104.2bn at the end of 1994.

Sharp turnround for Steyr-Daimler-Puch

Steyr-Daimler-Puch, the Austrian commercial vehicle maker, has reported a strong turnround in 1994, achieving a net income of Sch184.9m ($18.9m) after a profit slump in 1992 and a Sch112.7m loss in 1993, writes Ian Rodger.

However, the group, in which Creditanstalt-Bankverein holds a majority of the shares, said it would pass its dividend for the second consecutive year.

Turnover was down 12 per cent at Sch9.1bn, while pretax profits reached Sch187.5m, compared with a loss of Sch120.5m.

Landis & Gyr reports flat sales at six months

Landis & Gyr, the Swiss maker of electronic building controls, electricity meters and coin and card telephones, said its sales were flat in the six months to March 30 at SFr1.39bn ($1.2bn), but order intake rose 5.6 per cent to SFr1.55bn, writes Ian Rodger. In local currencies, sales were up 6.7 per cent.

No profit figures were given, but the group said both its operating and net income were at levels similar to those in the first half of fiscal 1994.

Thai cement groups post solid growth

Thailand's two leading cement companies reported healthy first-quarter profits on the back of a continued boom in the country's construction industry, writes Ted Bardacke in Bangkok.

Siam Cement, Thailand's biggest cement and building materials manufacturer and supplier, said its first-quarter net consolidated profits increased 40 per cent over the same period last year, to Bt2.19bn ($89.4m).

First-quarter profits at Siam City Cement, a much smaller company focused almost exclusively on cement production and distribution, were Bt731.7m, up 7.3 per cent over the same period last year.

Austrian brewer rises sharply to Sch696m

Oesterreichische Brau-Beteiligung (BBAG), the leading Austrian brewing group, has reported a 25.6 per cent surge in net income to Sch696m ($71.7m), on revenues up 5.3 per cent at Sch11.4bn, writes Ian Rodger. Directors have proposed an increase in the dividend to 16 per cent from 15 per cent.

The outlook for the current year is less certain, mainly because of increased competition following Austria's entry into the European Union.

The group said it "expects to maintain last year's profit level".

Cost cutting kept profits steady in the first four months of 1995, in spite of a slight fall in sales, it said.

However, the bulk of group revenues would, as usual, be made in the summer months.

● Lenzing, the world's biggest viscose fibre maker, said its first-quarter sales were up 8.5 per cent at Sch2.16bn, reflecting "great demand".

Battle over McCain ownership dropped

Mr Wallace McCain, 64, has dropped all litigation against his brother Harrison, 67, after a long fight to maintain joint control of McCain Foods, the Canadian-based international frozen foods group, writes Robert Gibbens in Montreal.

Wallace was the loser in a family battle for the company, which the two brothers had built up into a concern with sales of US$2.5bn a year.

Solid rise in earnings at Anglo American

By Roger Matthews in Johannesburg

Anglo American, the largest of South Africa's industrial conglomerates, yesterday reported total net earnings of R3.36bn ($917m) for the year to March 31, up 20 per cent from last year's R2.80bn.

Net income after tax rose by 23 per cent to R2.73bn from the restated 1994 figure of R2.23bn. Attributable earnings, which exclude retained earnings of associates, showed a 22 per cent increase to R2.05bn. A final dividend of 350 cents was declared, an increase of 17 per cent, which brings the total for the year to 460 cents compared with last year's 395 cents, much in line with market expectations.

Anglo American said the total dividend increase of 16.5 per cent would provide a record payment to shareholders and exceed R1bn for the first time. After providing for the final dividend, the company's net asset value was R55.65bn, only marginally higher than last year's R54.98bn.

Of the company's divisions, industry and commerce performed strongly, contributing the largest share of net earnings at 19.9 per cent, rising to R670m from R495 bn. It was closely followed by diamonds which provided 19.5 per cent of total net earnings, rising to R657bn from the previous year's R628m.

Mining finance dipped to R608m from last year's contribution of R630m. Coal surged to R219m from R133m, while gold and platinum increased more modestly to R389m from R335m.

Mr Clem Sumner, head of the gold and platinum division, warned yesterday that his division was facing another intense squeeze on margins.

The company had been successful in coping with the first squeeze in 1990 through containing costs and increasing productivity, he said, but the problem had re-emerged in mid-1993.

Gold mining costs were continuing to rise by 10 to 15 per cent a year, he said, and were unlikely to be matched by similar revenue increases.

Mr Sumner said the industry was only operating 275 shifts a year and the way forward had to be through the introduction of continuous working and bonus schemes.

See Lex

Seagram to hold on to 15% stake in Time Warner

By Bernard Simon in Montreal

Seagram, the Canadian drinks group, plans to retain its 15 per cent stake in Time Warner, the US media and entertainment conglomerate, for the time being, in spite of its purchase of 80 per cent of Los Angeles-based MCA, Mr Edgar Bronfman Jr, Seagram chief executive, said yesterday.

Speaking after Seagram's annual meeting, Mr Bronfman confirmed that he was negotiating an association between MCA and DreamWorks SKG, the group recently set up by three of Hollywood's leading personalities, Mr Steven Spielberg, Mr Jeffrey Katzenberg and Mr David Geffen.

He gave no details, beyond saying that "we are hopeful that we will be able to conclude a deal".

Mr Bronfman also declined to comment on reports that he plans to hire Mr Michael Ovitz, the Hollywood power broker, to take over the reins at MCA. He said decisions on management changes at MCA would not be taken until the $5.7bn purchase is finalised, probably next week.

Mr Bronfman vigorously defended the MCA purchase and the near-simultaneous disposal of Seagram's 24 per cent stake in Du Pont, the US chemicals group.

He predicted that MCA would grow more rapidly under Seagram than under Japan's Matsushita, its previous owner. "We intend to invest in MCA to grow the business," he said.

Seagram reported separately that first-quarter earnings, excluding proceeds from the Du Pont sale, climbed to US$59m, or 16 cents a share, from $52m, or 14 cents, a year earlier. The gain on the Du Pont disposal totalled $3.2bn, or $8.67 a share.

Operating income fell however, to $150m from $162m, reflecting, among other things, expenses related to the launch of Chivas Regal whisky in Korea, and investments in south-east Asia.

Jobs to go in Mobil shake-up in Europe

By David Lascelles, Resources Editor

Mobil, the US oil company, yesterday announced a shake-up of its European refining operations which will cost it $180m and affect up to 500 jobs.

The restructuring includes the closure of Mobil's refinery in Woerth, Germany, and cost cutting at two other refineries at Gravenchon in France and Coryton in the UK.

The last two will integrate their operations more closely in future to save costs.

Mr Lucio Noto, Mobil chairman, said that profitability in the refining industry had been inadequate. "In Europe in particular, there is excess refining capacity. Change is essential."

The proposed restructuring would save Mobil about $80m a year before tax, Mr Noto said.

The Woerth refinery has a capacity of 100,000 barrels a day, and employs 320 people. Mobil said it had notified workers' organisations of the proposals, in line with German labour law.

Last month Mobil shed 700 jobs from its US refining business, and 4,000 from its staff-support operations as part of a broad attempt to raise profitability.

In total, the cuts were expected to save the company over $1bn a year before tax.

Carlsberg trimmed to DKr607m at mid-term

By Hilary Barnes in Copenhagen

The strength of the Danish krone against sterling and the dollar-related currencies hit first-half earnings at Carlsberg, the brewery group, which reported pre-tax profits in the period to March 31 of DKr607m ($111.7m), compared with DKr731m last year.

Sales were unchanged at DKr7.87bn. Operating profits rose to DKr508m from DKr490m.

With stable currencies, said the interim report, sales would have shown an advance of 6 per cent and pre-tax profits a 15 per cent rise. Carlsberg B shares fell DKr6 to DKr262 following the report.

Net financial income slumped to DKr87m from DKr212m last year, reflecting substantial unrealised gains on the securities portfolio last year and unrealised losses this year.

A "not insignificant" part of the unrealised losses had been recouped, the report said, predicting that profits for the full year would reach "almost" the same level as last year's pre-tax DKr1.31bn.

In the UK, the Carlsberg-Tetley joint venture's results were "substantially below" last year's, but Carlsberg said the venture had increased market share by strengthening its position in the take-home trade.

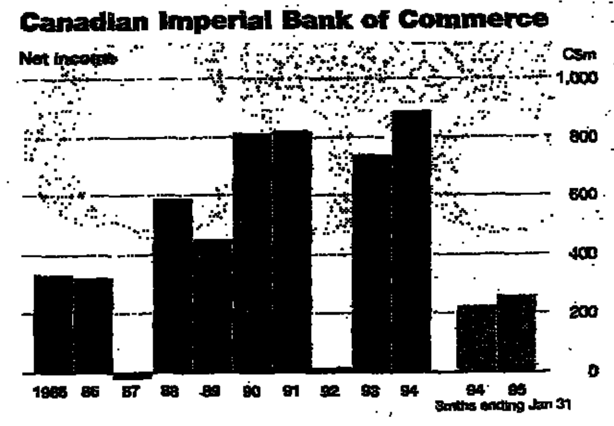
In Denmark, where Carlsberg and its other brand-name beer, Tuborg, have a market share of about 80 per cent, there were market gains for some products, including soft drinks.

Investment in breweries acquired in China and Vietnam, and in reorganising production and distribution in the Danish breweries, might have an adverse effect on earnings in the short term, said the report, but as the basic earnings of the group were robust and several group companies expected progress, the result this year should be at the same level as in recent years.

Underwriting malaise spoils CIBC's result

Canadian bank is counting cost of ambitious expansion strategy, writes Bernard Simon

Canadian Imperial Bank of Commerce



Canadian Imperial Bank of Commerce shareholders can expect sobering news today when Canada's second-biggest financial institution reports second-quarter earnings.

An otherwise strong performance is likely to be tarnished by a mediocre contribution from CIBC Wood Gundy, the investment banking arm. Much of the blame lies with the overall malaise in North American underwriting and other corporate finance activities.

But CIBC is also starting to count the cost, without yet reaping the benefits, of an ambitious expansion strategy. The plan is designed to vault the Canadian bank into the global top league in a number of specialised financial markets, such as derivatives and high-yield debt.

The process has not gone as smoothly as the bank had hoped. The markets in which it plans to specialise - notably the North American structured notes sector – have wilted in the past year.

At the same time, the diversification thrust has distracted attention from bread-and-butter business, such as bond and foreign exchange trading. Senior managers have had their hands full in recent months dousing fires of discontent at the trading desks.

Mr John Hunkin, CIBC Wood Gundy president, admits that mistakes have been made. "The leadership group has to focus more on our own people, particularly those in the traditional product areas and regions," he says.

But Mr Hunkin has no doubt about the wisdom of broadening the bank's horizons beyond the relatively illiquid Canadian dollar market.

"I think the strategy is right on," he says. "Our clients had access to global markets and to the capabilities of the major global players. We saw it as being a competitive necessity to bring the global markets to [them]."

The new strategy contains elements of both ambition and caution. The bank recruited a team of derivatives traders from Lehman Brothers as part of a substantial expansion of its New York office.

It gained a foothold in high-yield securities by buying Argosy Group, a significant force in the US junk bond market. Groups to market the new products have been set up in London, Singapore, Hong Kong and Tokyo.

At the same time, CIBC has gone to considerable lengths to lay a solid foundation for its diversification. Although the bank unveiled its plans more than a year ago, trading in products such as US equity swaps and options, and guaranteed exchange rate swaps did not begin until mid-April.

According to Mr Hunkin, "we've spent an inordinate amount of time and money to manage the business in a way that was safe". A partner at Arthur Andersen, the auditing firm, has been hired as chief administrative officer in New York.

However, CIBC's decision to bring in expensive outside talent has caused turmoil within its own ranks. Existing staff are furious at the newcomers' generous compensation packages, which in many cases include hefty guarantees, payable in good times and bad.

The mood was further soured by a new scheme in which employees were encouraged – some say compelled, although Mr Hunkin denies there was any pressure – to borrow large amounts of money to buy shares in a "phantom" entity whose performance mirrors the investment bank. Like the bank, this company's returns have plummeted over the past year.

A senior executive at one rival bank says that "we could hire 200 people from there tomorrow if we wanted to".

CIBC's securitisation team of nine people moved over to Toronto-Dominion Bank late last year. TD also recently picked up CIBC's London-based eurobond trading group.

Poor morale has become a sufficient concern that the bank's board yesterday assigned one of Mr Hunkin's senior lieutenants to improve communications between CIBC Wood Gundy's executive committee and the rank and file.

CIBC, with assets of C$155bn, has had a bumpy ride over the past decade. Earnings have recently been at record levels, including a C$255m (US$186m) profit in the first quarter to January 31 1995.

But the bank has twice been badly bruised – first by heavy exposure to Dome Petroleum, a Calgary-based energy company, then in 1992, as the second-biggest creditor of Olympia & York, the property developer.

Expansion of the New York investment banking operations was thrown into partial reverse last week with a restructuring which cost 27 jobs.

Mr Hunkin is confident that the current slump in investment banking and risk-management services will not last long. "The need to mitigate risk is not going to diminish going forward," he says.

He adds that the drive into derivatives and other financial products "is not betting the bank whatsoever". The shift in strategy will, if successful, contribute "a couple of hundred million dollars," or a relatively modest 6-8 per cent, of the entire bank's bottom line by the end of the decade.

The risk – as CIBC has discovered in the past – is that the downside can be precipitous if markets go in the wrong direction. As one Toronto securities analyst puts it, "there's nothing wrong with CIBC's strategy on the face of it. It's just that they seem to be going about it in a very ambitious fashion. To get big returns, they have to take fairly big bets."

Embraer staff cut by third since sell-off

By Angus Foster in São Paulo

Embraer, the Brazilian aircraft maker, has dismissed nearly a third of its workforce in the first round of cost-cutting since the company was privatised last December.

The company has reduced its workforce to 3,850 from 5,550, offering a programme of voluntary redundancy payments of 30 per cent of annual salaries.

Union leaders say the programme is not voluntary since workers were not given any option. The affected workers have already left the company's factory outside São Paulo and the dismissals will formally take effect next week, exactly six months after privatisation.

Mr Juarez Wanderley, president, said the company had become overstaffed with a fall in orders and the downturn in the world aviation market. Job cuts had not been possible in the run-up to privatisation because of political pressures. He said the company, which had 12,500 workers in 1990, was now the right size for conservative estimates of its medium-term growth prospects.

Most of the dismissals came from administrative and back-up areas, while production workers were less affected. Embraer is continuing to contract out other administrative services to cut costs.

The programme and other measures will cost $40m but will lead to annual savings of $80m, according to Mr Wanderley.

He said the company was also preparing a $140m rights issue. Embraer's shareholders, who following privatisation include US investment bank Wasserstein Perella and various Brazilian banks and pension funds, would all subscribe for new shares, he said. The money raised will be used to repay part of the company's $400m net debt, the first step in an overall debt restructuring.

Mr Wanderley said the outlook for the company's main products was improving. Embraer is likely to sell 19 of its 30-seat, propeller-driven Brasilia aircraft this year, compared with eight last year.

UPS to invest $1bn in Europe

UPS, the world's largest package delivery service, said yesterday it would invest more than $1bn in Europe over the next five years to strengthen its regional operations, Reuter reports from Atlanta.

Under the plan, UPS will spend $300m on ground vehicles, $300m on buildings and facilities, $200m on information technology and more than $300m in aircraft support.

The company also named Mr Edwin Reitman as president of UPS-Europe, a new position.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 01.06.95 Pool purchase price £/MWh	Final Prices for Trading on 04.05.95 Pool purchase price £/MWh	Pool selling price £/MWh
0030	10.57	17.06	18.04
0100	9.54	17.06	18.04
0130	9.54	17.08	18.04
0200	9.54	17.08	18.04
0230	9.54	17.08	18.04
0300	9.54	17.08	18.04
0330	9.54	17.08	18.04
0400	9.54	17.08	18.04
0430	9.54	17.08	18.04
0500	9.53	17.08	18.04
0530	9.54	16.58	17.56
0600	9.54	16.58	17.56
0630	10.57	16.91	17.89
0700	9.56	17.17	18.14
0730	15.92	19.71	20.68
0800	16.61	22.93	23.93
0830	16.73	24.51	25.51
0900	16.62	24.60	25.62
0930	24.47	27.69	28.72
1000	24.51	27.73	28.77
1030	24.50	46.15	47.19
1100	24.50	46.17	47.22
1130	24.53	46.21	47.26
1200	24.69	46.23	47.30
1230	26.61	46.19	47.24
1300	26.54	46.11	47.14
1330	24.39	27.65	28.67
1400	20.35	39.32	40.35
1430	18.52	39.35	40.39
1500	18.51	39.28	40.30
1530	17.35	39.20	40.19
1600	18.53	24.48	25.47
1630	18.59	37.74	38.74
1700	30.96	44.63	45.63
1730	37.17	44.60	45.60
1800	37.11	37.67	38.66
1830	16.51	20.79	21.77
1900	16.61	20.66	21.63
1930	16.60	19.94	20.92
2000	16.46	19.90	20.87
2030	16.26	13.10	13.10
2100	16.26	36.75	37.73
2130	16.26	44.50	45.48
2200	16.26	44.50	45.48
2230	16.26	26.12	27.10
2300	16.07	22.89	23.86
2330	14.97	19.53	20.51
2400	15.92	17.14	18.12

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.66/MWh becomes 1.666p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6789 between 8:30am and 5:15pm Monday to Friday.
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Qantas chiefs step down from board of Air NZ

By Nikki Tait in Sydney

Mr Gary Pemberton, chairman of Qantas, and Mr James Strong, the Australian airline's managing director, have resigned from the board of Air New Zealand, in which Qantas holds a 19.4 per cent stake.

The resignations appear to result from the increasingly complex situation surrounding the Australasian aviation market. Although Qantas is Air NZ's second biggest shareholder, after Brierley Investments, it competes with the New Zealand-based airline on some international routes.

More recently, Air NZ has been talking to Mr Rupert Murdoch's News Corporation about buying the latter's 50 per cent stake in Ansett Airlines. Ansett is Qantas' main Australian competitor.

This, in turn, has raised the question of whether Qantas might enter the New Zealand domestic market (currently serviced by Air NZ and Ansett) to ensure that competition continues there.

Also, the issue of whether Qantas should continue to hold a stake in Air NZ has been aired, although Mr Strong has said that this should not be directly related to the Ansett discussions.

Mr Pemberton said yesterday that "growing areas of commercial competition between the two airlines prevented them both from participating in a range of board discussions" and that "the need for the Air New Zealand board to consider a wide range of strategic matters had brought the issue to a head".


Gary Pemberton: unable to participate fully on board

The two Qantas board positions will be filled by two independent directors, who will participate fully in board discussions. They will be Mr John Landels, chairman of the State Rail Authority of New South Wales, and Mr John Curtis, who is on the board of a number of Australian-based companies, including MMI, First Data Resources and Rothmans Holdings.

Wilson and Horton hurt by one-off costs

By Terry Hall in Wellington

One-off costs of NZ$12m to cover redundancies and write-offs on printing presses trimmed tax-paid profit at New Zealand publisher Wilson and Horton by 22 per cent to NZ$32.46m (US$21.8m) in the year to March 31.

The company, 29 per cent owned by a consortium of Irish businessman Mr Tony O'Reilly and the Irish Independent Press, lifted tax-paid earnings before the write-offs by 7 per cent to NZ$44.46m. Group sales rose 9 per cent to NZ$402m.

Mr Michael Horton, managing director, said all divisions had performed in line with expectations.

Newspaper advertising volumes had been strong in the Auckland region; particularly at The New Zealand Herald, the country's biggest circulation newspaper. Advertising volumes were continuing to show growth.

Mr Horton made no mention of the arrival on the share register last month of the Irish consortium, which will appoint four directors by the annual meeting in July.

Shareholders received a special $NZ1.50 a share dividend as part of the agreement which ended Brierley Investments' move to buy a controlling stake in the company, which was then sold to the Irish consortium.

Bangkok Land suffers sharp setback in year

By William Barnes in Bangkok

Bangkok Land, the big Thai property company controlled by the Sino-Thai Kanjanapas family, has reported a worse-than-expected 87 per cent drop in net profits to Bt661m ($26.9m) for 1994, from Bt5.03m a year earlier.

This result underlines analysts' fears that the company's ambitious Muang Thong Thani new town in northern Bangkok has failed, so far, to attract a large number of buyers. Mr Neil Semple, research manager at HG Asia, calculated that Land made a loss in the fourth quarter of Bt331m, compared with an estimated fourth-quarter profit of Bt2.92bn a year earlier.

One of the company's main problems is that Bangkok homebuyers do not appear ready to move into high-rise housing in the 640-ha new town when cheaper accommodation can be acquired in more modest developments.

German stock market seeks ambitious revamp

New strategy aims to improve the clarity and liquidity of the country's equity business, writes **Andrew Fisher**

The German stock market, dominated by Frankfurt, has big ambitions. Not only does it want to compete more effectively with London, the leading European securities market, but it is also keen to attain a status more in keeping with Germany's economic strength.

Those two motives underlie the new strategy presented on Tuesday by Deutsche Börse, which runs the Frankfurt stock and bond markets and Deutsche Terminbörse (DTB), the derivatives market. Even if it does not succeed fully, the plans signal powerful changes on the German financial scene.

They are aimed at bringing more clarity into Germany's scattered markets through uniform pricing, electronic trading and increased efficiency and cost-effectiveness.

"This will definitely help the visibility and liquidity of German equity business," said Mr Jeff Zorek, equity trading manager at Lehman Brothers, the US investment bank, in London. "I think they [Deutsche Börse] are looking forward to the late 1990s in a very positive way."

The Frankfurt stock exchange – Germany's biggest with about 75 per cent of business – is roughly half the size of London in traded volume terms. In continental Europe, Frankfurt is supreme, with volume last year more than twice that of Paris.

Deutsche Börse has already announced plans to merge the operations of Frankfurt, Düsseldorf and Munich – a step which could threaten the existence of the smaller Hamburg, Stuttgart, Berlin, Hanover and Bremen bourses.

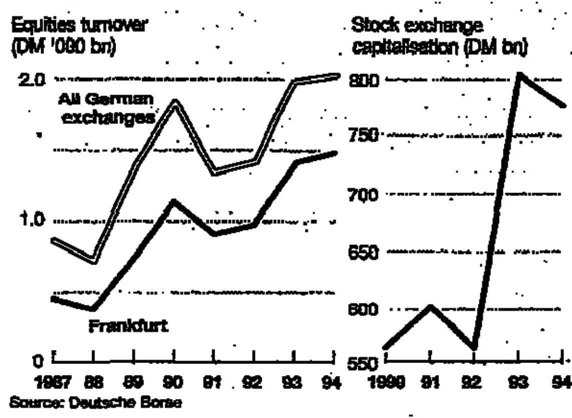
Foreign investors find it difficult to understand why there should be eight stock markets, but attempts to streamline the structure meet strong regional opposition.

A fully electronic trading system would get round this problem by putting prices on the same basis. "This will be revolutionary," said one German banker. "It will mean the end of floor trading."

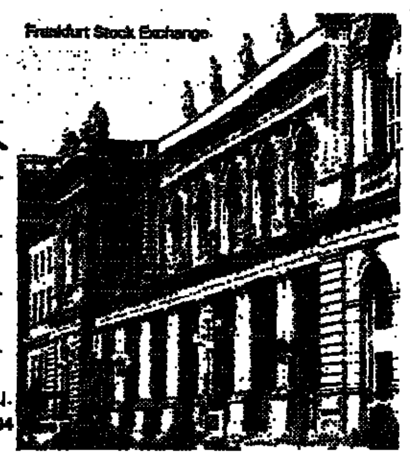
Eventually, it will not matter where traders and investors deal, since all transactions will be computerised.

But the strategy still has to be implemented and could take five years, the banker added. "At the moment, it's like when you have a house built and nod approval of the architect's plans." Deutsche Börse's owners, mostly banks, will have to give the final go-ahead.

On your marks



Source: Deutsche Borse



As well as improving the efficiency of securities markets, the strategy is designed to give them a strength and depth more commensurate with Germany's economic and monetary strength.

This means more new issues. Last year, there were only 15 initial public offerings totalling DM2bn ($1.4bn). "Germany was thus last in the rankings of internationally leading capital markets," Deutsche Börse's annual report said.

It called Germany's primary market "manifestly weak" and said there was much untapped potential. "There are thousands of successful medium-sized businesses that have not yet financed their growth by raising capital on the exchanges."

Deutsche Börse intends to do more to encourage new issues, although it will be up to the government to remove the tax disadvantage faced by companies taking the IPO route.

The IPO trend in 1995 is healthier than last year. But the event the market is really looking forward to is the DM15bn issue of Deutsche Telekom shares next year. This will test the ability of domestic and foreign banks to sell such a big issue and will show whether Germans are ready to take to equities in a big way.

"As yet," Deutsche Börse added, "no clear stockholding culture has emerged among private investors in Germany." Its strategy is intended to combat this and other deficiencies by focusing on three key areas:

- Benchmark products. These are highly liquid shares (such as Daimler-Benz, Siemens and Deutsche Bank), government bonds and derivatives.

Foreign investors account for nearly 50 per cent of trading in this sector;

- Domestic products. These comprise less liquid shares and fixed interest securities such as Pfandbriefe (mortgage-backed bonds). Included will be a new market for small, fast-growing companies. Mid- and small-cap indices for shares of companies with a market capitalisation below DM2bn and DM500m respectively will also be created;
- Operation-based services. This will include settlement, back office custody and other administrative activities. Deutsche Börse is aiming at a speedy and cost-effective settlements with a minimum of risk.

Central to the strategy is a fully electronic trading system as opposed to the present combination of Ibis, accounting for nearly 40 per cent of trading in the top 30 stocks in the DAX index, and floor trading.

Mr Werner Seifert, chief executive of Deutsche Börse, hopes the first stage will be ready in 1998 as the replacement for Ibis.

Eventually, the hope is that this will be part of a European electronic trading system, to which all market participants will have access. Talks are taking place with France on linking up both the cash and derivatives markets. In addition, the DTB will be marketed intensively in Europe and, later, the US.

Whether or not the changes eventually put Frankfurt on a par with London does not really matter, says Mr Zorek. "There is room for competition." Germany needs more quoted growth companies and the new strategy could encourage these and stimulate investor interest. "Size is not the only indicator – what's important is the ease which which you can access the market."

Dawson Intl at £1.7m after restructuring

By Motoko Rich

Dawson International returned to the black in the year to April 1 with pre-tax profits of £1.7m ($2.66m) against restated losses of £98m previously.

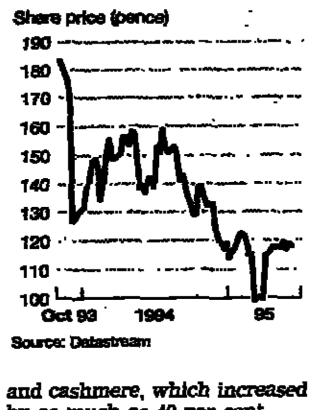
The restructured Edinburgh-based textile group also confirmed the sale of Dawson Home Fashions, its lossmaking shower curtain and bathroom accessories business, to Springs Industries of the US for $41.4m.

An exceptional charge of £9.7m related to the disposal of the business, which incurred operating losses of £4.5m in the year. A further charge of £5m for the restructuring of Pringle, the knitwear and clothing subsidiary, helped raise total exceptional costs to £22.4m (£106.2m). Before exceptionals, pre-tax profits increased to £24.1m (£8.4m).

Mr Derek Finlay, chairman, said: "We have taken the steps on restructuring we determined to take. We are in a better position to do the job we were hired to do."

Depressed demand and the unusually warm winter in northern Europe and the US were behind a fall in turnover to £414.2m (£444.1m), of which £328.4m came from continuing operations. The sales decline was exacerbated by rising raw material costs for wool, cotton and cashmere, which increased by as much as 40 per cent.

Dawson International



Source: Datastream

Acquisitions help MEPC as demand remains patchy

By Simon London, Property Correspondent

Acquisitions helped MEPC, the second largest UK property company, report a 25 per cent increase in pre-tax profits from £47.6m to £60.4m ($95m) for the six months to March 31.

Underlying the advance was a £16.6m improvement, from £112.6m to £129.2m, in net income from properties as a result of buildings acquired during the past 12 months and the expiry of rent-free periods.

Like most property companies, MEPC does not revalue its property portfolio at the half-year stage. Mr James Tuckey, chief executive, said it would be misleading to give any indication of likely movements in property values without a valuation.

He added that occupier demand for buildings remained patchy in the UK and rental growth was restricted to the best quality buildings.

MEPC sold £29m worth of properties during the period, realising a trading profit of £6.9m compared with £2.3m last time. Mr Tuckey said properties with poor rental growth prospects were being targeted for divestment.

The company spent £100m buying and developing new properties. MEPC's development projects include seven new industrial buildings in Dallas, Texas, and an office park in Brisbane, Queensland. The Northridge shopping centre in Los Angeles, California, which was damaged by the 1994 earthquake, is due to reopen in July after extensive refurnishment. The rebuilt centre will not be revalued until autumn 1996, when it will have traded for a full year.

Interest costs increased from £62.8m to £70.4m, although only £3m interest was capitalised, down from £5m. Net debt increased by £71m to £1.26bn.

Earnings per share improved from 8.3p to 10.2p. The interim dividend is unchanged at 5.25p.

TI served with writs in US alleging fraud

By Tim Burt

TI Group, the specialist engineering and aerospace company, has been served with writs alleging that one of its subsidiaries defrauded the US Air Force of more than $20m.

The writs, served in the High Court, claim that Dowty Woodville Polymer overcharged the USAF for components used on swing-wing aircraft. TI, which acquired the company in 1992 as part of its £500m takeover of Dowty, confirmed the writs had been received but declined to comment further.

The allegations centre on contracts for wing seal slots, components ordered for the USAF's F-111 strike jet and the B1-B bomber. Dowty won those orders in the mid-1980s under firm fixed price contracts, in which it was supposed to disclose its production costs and propose a percentage profit.

The US government has suggested that the UK supplier withheld the true manufacturing costs for such components.

Their claims follow a "whistleblower" action launched by Mr Jeffrey Thistlethwaite, a former manager at Dowty Woodville Polymer, which entitles him to a share of any damages awarded.

TI said it would contest the action vigorously. It has asked Allen & Overy, its UK lawyers, and US attorneys Crowell & Moring to handle the case. They are expected to seek a ruling claiming that the US district court for the southern district of New York has no jurisdiction over a company manufacturing components outside North America.

Dowty Woodville Polymer is one of the smallest parts of TI, contributing sales of £17m to group turnover of £1.4bn last year.

Exceptional float income boosts Bell Cablemedia

Bell Cablemedia, one of the largest cable operators in the UK, yesterday reported a move into the black for the first three months of 1995, with net income of £1.18m ($1.85m) against losses of £3.06m, helped by an exceptional item, writes Christopher Price.

The £9.08m gain came as a result of the flotation in the US of Videotron, which also operates in the UK. Bell had a 33 per cent stake in Videotron, which has since been diluted to 26 per cent. Before the exceptional, Bell Cablemedia's losses more than doubled to £7.9m.

The group said it had passed a further 59,832 homes during the quarter, taking the total to 422,235. Its franchised areas cover 1.7m homes.

Penetration levels in cable television and residential telephony slipped, from 22.3 to 22.1 per cent and from 26.5 to 25.1 per cent respectively.

LEX COMMENT

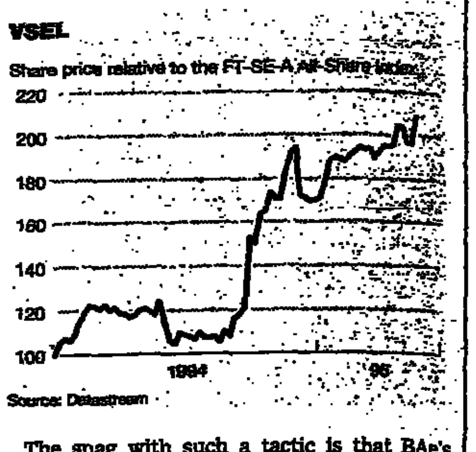
Phoney war for VSEL

The battle for VSEL is still something of a phoney war. BAe's renewed bid, restating its offer of 3.3 shares for each of the warship maker's, is not enough to make the blood pulsate. Because BAe's share price has risen sharply in the past six months, the effective value of the offer has increased to £17.30 a share. But this has been fully anticipated by the market.

More interesting will be GEC's next move. After enduring five months of scrutiny by the Monopolies and Mergers Commission and then persuading the government to overrule the commission's recommendation, it looks certain to re-bid. Not only would GEC like to own VSEL to boost its prime contractor skills but it would be unhappy if BAe bought the warship company on the cheap.

One tactic would be for GEC to launch its own cash bid and then seek to undermine BAe's paper offer by knocking its share price. GEC might, for example, argue that BAe's balance sheet is weak. If such a tactic succeeded, not only would the value of BAe's offer decline but the company might find it hard to improve its bid, as offering more paper might merely depress the share price even further.

VSEL



Source: Datastream

The snag with such a tactic is that BAe's finances are no longer the black hole they once were. Radical restructuring over the past two years has left it with a smaller but cleaner balance sheet. BAe has also waged a successful campaign to persuade investors of its financial responsibility. GEC would have to unearth some new skeletons to knock their confidence.

Kingfisher warns of bigger interim losses at Comet

By Neil Buckley

Analysts were again downgrading profits forecasts for Kingfisher yesterday, after the retail group warned of increased interim losses in its troubled Comet electrical chain.

Sir Nigel Mobbs, acting chairman, told the annual meeting yesterday that competition in electrical retailing and promotional costs would mean bigger first-half losses at Comet, in spite of a 10.5 per cent sales increase in the first quarter. However, the objective remained to return Comet to profit by year end.

Analysts, now forecasting losses of more than £10m at Comet for the six months to July, downgraded group full-year profits forecasts by about £10m to £300m. The shares closed up 4p at 457p, but this was said to be due largely to buying by one institution.

Kingfisher ousted four directors and demoted its Sir Geoffrey Mulcahy, chairman, to chief executive earlier this year, after the first profits fall in the group's 12-year history. The 10 per cent decline to £281m was blamed on problems in the Comet and Woolworths chains.

Sir Nigel said Woolworths' performance in the 13 weeks to April 29 was "encouraging", with total sales up 5.4 per cent, and like-for-like sales, which exclude store openings and closures, up 4.8 per cent.

Turnover at B&Q, the UK's largest DIY retailer, increased 5 per cent, or 3.2 per cent like-for-like. Superdrug achieved a total 3.9 per cent increase (2.3 per cent like-for-like) and the French electrical chain Darty increased sales 1.1 per cent (0.2 per cent like-for-like).

During a lively meeting, shareholders criticised directors' remuneration levels - in spite of the fall in Sir Geoffrey's total pay, including pensions, from £1.3m to £949,000 last year. Kingfisher said it was ending three-year rolling contracts to new directors, and intended to reduce directors' contracts to two years.

British Gas wins the pay battle

Trevor Humphries

Cedric the pig relishes his 15 minutes of fame

By William Lewis and Robert Corzine

British Gas yesterday defeated two independent resolutions critical of a new reward structure for executives, bringing to an end an extraordinary seven month battle with its own shareholders.

Confronted by 4,600 shareholders, four members of parliament and a pig at British Gas's annual meeting in London's Docklands, Mr Richard Giordano, chairman of British Gas, emerged victorious to declare the row to be finally over. He said the board's controversial new remuneration structure "is a fast moving train and let's see where it takes us".

The shareholders, mainly old but showing youthful radicalism, were told just over 50 per cent of the company's share capital had been voted. This unusually large voting turnout by institutional shareholders followed an intensive lobbying campaign by British Gas and shareholder activists.

Pirc, the corporate governance consultancy which initiated a critical resolution, said it was delighted with the number of shareholders who had refused to support the company.

Pig fares better than Brown

Robert Corzine and William Lewis at British Gas's AGM

Cedric the pig fared considerably better than Cedric the chief executive at British Gas' stormy annual meeting in London yesterday.

Billed as a 40 stone porker but looking substantially slimmer on the day, Cedric the Pig was the chief prop used by GMB trade union members to illustrate their complaint about utility chiefs feeding at the trough of privatisation. He spent his 15 minutes of fame contentedly chomping his way through several buckets of food while Fleet Street photographers crowded round.

Cedric Brown, British Gas chief executive, had a less glamorous day. He and his 13 colleagues on the British Gas board spent nearly six hours under strong lights on the stage of the London Arena. Sustained only by occasional sips from small water bottles, they spent the best part of the afternoon being taunted by thousands of angry shareholders.

Not surprisingly, most of the questioning and criticism was directed at Mr Brown's 71 per cent rise in pay and benefits last year and the new long-term incentive scheme for directors.

But the meeting was more than just a chance for small shareholders to let off steam about what they see as an all-too-cozy relationship between high-paid company directors and their big institutional investors.

It was also an opportunity for them to come face-to-face with the directors' vision for British Gas. Mr Richard Giordano, the chairman, and his colleagues see the future British Gas as a highly competitive UK-based company with an increasingly large and important international dimension. But for many of the 4,000 small shareholders present the picture painted by the directors was an unwelcome sight.

Mr Giordano opened the session with a rousing speech about the opportunities offered by a more international future. He conceded that "the company is principally identified in the public's mind with the monopoly supply to 18m domestic consumers."

But he said its future growth lay with expanding into mainly unregulated markets overseas. "We calculate that the effect of regulation since privatisation has reduced our operating profits by some £3bn," he said.

As for the company's current restructuring in which 25,000 staff are to lose their jobs. Mr Giordano said: "We should have begun sooner . . . but now we must move very fast indeed in order to be ready for competition."

Many on the floor, however, mourned the passing of the old British Gas. "British Gas is an exceptional case of a public company," said one irate shareholder. "You can't compare it with others kinds of companies."

Mr Alex Salmond of the Scottish National Party received a loud round of applause when he suggested that: "British Gas is still seen as a utility in the tradition of the public service."

Others talked of the company's losing sight of its "human focus". There was also widespread support for those who spoke of the "strong interests that should bind British Gas consumers, shareholders and workers".

The blame for the unwanted changes taking place within the company was directed solely at the board, in spite of Mr Giordano's skilful attempts to shift some of the responsibility on to the government's competition and regulatory policies.

"Without the workers and investors you wouldn't exist," said one shareholder. "But you [Mr Giordano] are dispensable."

The board, not surprisingly, declined to comment. But both Mr Brown and Mr Giordano denied strongly that they would be diverted from their mission to take British Gas into a brave new world.

Quadramatic rises despite US decline

By Geoff Dyer

Acquisitions helped Quadramatic, the specialist engineering group, report a 31 per cent increase in pre-tax profits for the six months to March 31.

Kestrel Injection Moulders, bought in November for an initial £4.4m, contributed £524,000 to operating profits, which boosted the pre-tax result to £4.87m, ($7.64m) against £3.72m. Turnover was 30 per cent ahead at £22.9m (£17.6m), with Kestrel contributing £1.69m.

Mr Tony Gartland, chairman, said the group was looking to make further bolt-on acquisitions to its moulded products and instruments divisions.

At the time of Quadramatic's flotation in July 1993, Mr Gartland said he wanted to build up a specialist engineering group by acquisition.

Coin handling, the group's largest division, reported unchanged turnover and operating profits of £10.2m and £2.3m. Mr Gartland said there had been a downturn in the US pinball market following the legalisation of gambling in several states, but this had been compensated for by increased orders from Germany.

Profits in the specialist moulded products division more than doubled to £1.03m (£481,000) because of the Kestrel contribution. The instruments division increased profits to £1.84m (£1.21m) with Datapaq, the maker of temperature monitoring equipment, the strongest performer.

Borthwicks cut to £0.8m

Pre-tax profits at Borthwicks halved for the year to April 1, from £1.71m to £835,000, after a "rapid and unexpected deterioration" in US sales.

The US was also affected by a £225,000 provision relating to a Bureau of Alcohol Tobacco and Firearms audit.

Mr Peter Brackenridge, chief executive, said the UK had strengthened.

Hanson to slip by less than 9p

By David Wighton

Hanson shares are expected to fall by slightly less than 9p this morning ahead of the start of trading in New York in the demerged US Industries shares.

The USI shares have been trading at about $14¼ on a "when issued" basis, which is equivalent to about 9p per Hanson share.

But analysts expect Hanson shares to fall by less than this amount when they start trading ex-USI this morning. They argue that some institutions have sold Hanson shares recently, with a view to buying them back after the demerger, rather than cope with the complication of the USI shares.

They also believe that the Hanson shares will be supported by their high yield.

In contrast, USI shares are expected to fall in early trading.

Some UK institutional investors in Hanson will be forced to sell their USI shares, which are not listed in London.

Holvis defends its BBA agreement

Holvis, the non-woven fabrics and paper distribution group subject to a takeover battle, yesterday revealed that last Wednesday it advised International Paper, one of the bidders, to raise its offer from SFr435 per share to about SFr500, writes Ian Rodger.

In a letter to shareholders, Mr Dieter Gloor, Holvis chairman, yesterday urged them anew to tender their shares to BBA Group, the British industrial concern that offered SFr500 per share on Friday.

BBA also obtained a "lock-up" agreement, providing that even if its bid was not successful, Holvis would sell its non-wovens business to it.

IP has raised its bid to SFr550, but the bid is conditional on the lock-up agreement being cancelled. IP has accused the Holvis board of not giving it a fair chance to put in a fresh bid and not seeking the best deal for shareholders.

Mr Gloor said IP responded late with a SFr480 per share bid, forcing it to accept BBA's terms. "Without the board's actions, shareholders would have been left with an IP offer of perhaps SFr435 and certainly less than SFr500."

The Swiss takeover panel heard the parties' views yesterday and may issue a judgment, which is not binding, on Monday.

Rodime in suspense awaiting court results

By James Buxton, Scottish Correspondent

Rodime, the disk drive pioneer whose business is the licensing of its 3½ inch disk drive technology, sharply reduced its interim pre-tax loss. It is still awaiting the outcome of US patent litigation on which its future largely depends.

In the half year to March 31 it reported losses of $1.99m, against $5.3m. Operating income was only $19,000 ($153,000), reflecting the fact that no new licence agreements were signed. Administrative and legal expenses fell from $5m to $1.07m, because most litigation was stalled.

Rodime is awaiting the result of its appeal against a court judgment of April 1994 when a Minnesota judge declared invalid certain claims in its principal disk drive patent in a suit with Quantum, the US disk drive maker. The appeal was heard last November.

If Rodime's appeal failed the scope of infringement by other disk drive makers would be materially reduced and with it the prospects of restoring shareholder value, the company said.

Losses per share came out at 1.5 cents (3.7 cents).

The shares closed down 1p yesterday at 8p.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Barlo ‡	Yr to Mar 31	115.6	(97.3)	5.54	(7.78)	3.21	(5.11)	0.6	-	0.6	1	1
Borthwicks	*Yr to Apr 1*	*29.1*	*(29.2)*	*0.835*	*(1.71)*	1	(2.5)	0.8	Aug 2	0.8	1.3	1.3
Cullen's	Yr to Feb 26	6.77	(5.27)	0.248♥	(0.67L♠)	0.9	(2.8L)	0.5	Sept 8	nil	0.5	nil
Dawson Intl	Yr to Apr 1 ★	414.2	(444.1)	1.7♠	(98L♠)	1.5L	(52L)	1.5†	Aug 15	1.5	3	3
Investment Co	Yr to Mar 31	1.43♦	(1.32♦)	1.14	(1.05)	3.27	(3.13)	1.5	Aug 7	1	2.25	1.5
Leeds	6 mths to Mar 31	31.3	(28.4)	3.61	(3.41♥)	8.3	(8)	2.2†	July 3	2.1	-	6.3
MEPC	6 mths to Mar 31	129.6□	(112.6)	60.4	(47.6)	10.2	(8.3)	5.25	July 25	5.25	-	20
Quadramatic	6 mths to Mar 31	22.9	(17.6)	4.87	(3.72)	8	(6.7)	3.2†	July 14	2.5	-	6.5
Rodime	6 mths to Mar 31	-	(-)	2L☆	(5.29L)	1.5L	(3.7L)	-	-	-	-	-
TBI	*Yr to Mar 31*	*17.6*	*(3.32)*	*4.13*	*(22.5♥)*	3.09	(16.42)	0.18	Aug 4	nil	0.18	nil

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Invesco Korea	Yr to Mar 31	154.12	(147.75)	0.078L	(0.021)	0.29L	(0.09)	nil	-	nil	nil	nil
Murray Emerging	21 weeks to Apr 30	88.1	(95.5‡)	0.681	(-)	1.25	(-)	-	-	-	-	-

Dividends shown net. Figures in brackets are for corresponding period. ‡Irish currency. ★Comparatives restated. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ☆US currency. ♦Gross revenue. □Net income. ‡At launch date of December 7 1994.

FINANCIAL TIMES SURVEY

INTERNATIONAL CAPITAL MARKETS

Thursday June 1 1995

Investors search for better returns as outlook brightens

Mexico's financial crisis in December and turmoil in foreign exchange earlier this year undermined confidence in bond markets, equities and risk trading. However, the gloom has now begun to lift and there may be calmer waters ahead, says Richard Lapper

IN THIS SURVEY

Prospects for the world's capital markets have begun to look much brighter in recent weeks. The rise in bond prices, led by US treasuries, has helped revitalise a market which at times this year seemed to be traumatised after the devaluation in Mexico, and ensuing turmoil in foreign exchange and in emerging markets.

Investors who have been sitting on their hands for much of the first quarter, with their assets parked in the safest of safe havens, are now beginning to worry about returns as bond yields fall, creating a more receptive environment for issuers of new debt and equity paper.

"The theme of capital preservation dominated the first quarter," says Michael Burke, senior economist with Citibank, "causing money to flood into the short end of the yield curve in the US and Germany. Now investors are looking for yield."

In the second quarter "people feel more comfortable with the risks of these higher yielding markets", adds Mark Cliffe, chief international economist with HSBC Markets.

Although Mexico's devaluation in December might have been expected to have had purely local effects, damage from the crisis spilled over into world markets in a number of ways. The speed of its currency and financial crisis signalled the fragility of Mexico's recent economic progress. This crisis undermined investor confidence in other Latin American and emerging markets whose governments were following broadly similar economic policies of deregulation and liberalisation.

The abrupt fall in asset values shocked many US investors who had never previously strayed outside the US, leading many mutual funds to retire funds from other Latin and emerging markets. More broadly, Mexico's difficulties served to reinforce the fears of investors about government deficits in general, with worries focusing on developed economies such as Sweden and Italy, whose governments had built up heavy debts.

At the same time, the size of the Mexican bail-out package orchestrated by Washington reinforced concerns about the US's fiscal and external deficits, putting pressure on the dollar and aggravating instability on international currency markets.

The crisis came at the end of a bad year for global bond markets, following the sharp turn in monetary policy in the US in February 1994 and successive increases in short-term interest rates.

Uncertainty about the speed of US economic growth, the level of US inflation and the direction of US interest rates, following six successive increases in short-term rates over the year, made matters worse, leaving investors worried about inflation and many potential borrowers unhappy about raising fixed-rate funds.

As a result, the pace of activity in many sectors slowed in some quarters of the market. After a bright start in January 1995 – when issuers raised some $45bn – new international issues slowed in February and March, with syndicate managers finding it particularly tough to place deals for emerging market issuers.

Overall issuance on the bond markets in the first quarter fell by 18.1 per cent to $103.3bn, according to Euromoney Bondware. Issuance of international primary equities – whose growth in 1993 and early 1994 had been one of the most outstanding features of the capital markets – slumped with only $6.2bn raised in the first three months of 1995 compared to $14.6bn during the same period of the previous year.

Capital markets teams also saw revenues squeezed in other areas. Business at international derivatives exchanges continued to rise at a brisk pace in the first quarter of 1995 (with turnover of futures and options contracts rising by 13 per cent on the last quarter of 1994).

But in the over-the-counter market – where banks negotiate customised deals for commercial clients – competition has been tough, with few customers interested in the highly complex and more remunerative leveraged products which were popular in 1993 and early 1994.

There are growing signs that US mutual funds which invest abroad have begun to channel money back to international markets in recent weeks

The collapse in February of Barings Bank after sustaining losses of some £860m from trades on the Osaka and Singapore derivatives exchanges led many banks to review their approach to risks, with many operators placing tighter limits on the amount of risks traders are allowed to run. Other banks and securities houses have seen margins contract sharply, and staff numbers have been cut.

Since mid-March, however, the gloom has begun to lift. Eurobond managers have seen a pick-up in business since Easter.

Towards the end of May, Japanese securities houses successfully completed a giant yen bond issue – worth the equivalent of $6.3bn and the biggest ever seen in the euromarkets – for Italy.

On the same day, Brazil successfully returned to the euromarkets for the first time since the Latin American debt crisis in 1982, with an Y80bn issue, while a few days earlier, a $1.5bn deal was launched for Canada, the biggest fixed–rate dollar issue since September 1994.

The pace of new equity issuance has also increased with US investors beginning to show renewed interest. There are growing signs that US mutual funds which invest abroad have begun to channel money back to international markets.

At the same time growth in syndicated loan business, which has been a feature of the markets over the past year, has continued. Banks have successfully rebuilt their balance sheets and, flush with funds, are competing fiercely to lend to both sovereign and corporate borrowers and margins have fallen. The volume of syndicated loans reached $140.1bn in the five months to May 26, according to figures from Euromoney Loanware.

Analysts agree that the rally in the bond market is helping sustain these developments. The immediate spur to the rally is the slowdown in the US economy and downward revisions in growth and inflation forecasts, which have led many to argue that interest rates are now close to their peak and may even begin to fall.

The strength of both the D-Mark and the yen against the dollar have also indirectly contributed to the bond recovery, by reining in export growth in both Germany and Japan and thus weakening overall economic growth.

On this basis, the bond market recovery could be undone by a rise in US inflation or a rise in the dollar and therefore prove to be short-lived. However, some analysts suggest there may be a firmer underpinning to the market's recent improvement.

Michael Hughes, head of economics and strategy at BZW, says that markets have been impressed by signs that an increasing number of governments are beginning to grapple seriously with fiscal deficits and – above all – growing indebtedness.

The "debt hangover" which followed the financial deregulation and credit expansion of the 1970s and 1980s will be as big an influence in the capital markets in the 1990s as was the legacy of prolonged and persistent inflation in the 1980s, predicts Mr Hughes.

But, he says, fiscal policy has been tightened recently in a number of countries. He cited moves in the US to introduce legislation to balance the federal budget and the impact of tax increases in the UK and Germany. Recent budgets in Australia, Sweden and Canada and the pension reform plan unveiled in April by the Italian government have also been positive signs.

"The high yielders have begun to bite the bullet," says Mr Hughes. "They are going in the right direction."

If Mr Hughes is right the bond markets could prove to be stronger for longer than many expect, helping to generate stability in other areas of the capital markets.

After the upsets of the last 18 months, investment banks and securities houses just might be heading for calmer waters.

EUROBONDS: the outlook is looking brighter, says **Antonia Sharpe**

Big borrowers test the water

After a tough first quarter, the outlook for the eurobond market is getting brighter. Investors appear to have rediscovered their appetite for fixed-income products and the big borrowers are testing the water once again.

This change in sentiment has been greeted with open arms by syndicate managers at eurobond houses because apart from a couple of busy weeks at the start of 1995 they have been twiddling their thumbs for much of this year.

According to data supplied by Euromoney Bondware, the value of new bond issues totalled $103.3bn in the first three months of the year, a fall of some 18.1 per cent from the $126.1bn of the same 1994 period. Activity was also lower than in 1993, when new issuance in the quarter amounted to $115.2bn.

The drop in issuance in the first quarter reflected the uncertain conditions in the bond markets and on the foreign exchanges where the dollar lost around one third of its value against the yen since the start of the year.

The market uncertainty encouraged investors to stick firmly to the sidelines which in turn made eurobond houses reluctant to underwrite large bond issues for fear of being unable to sell the bonds on quickly. The volatility in the bond markets meant that keeping the bonds on the bank's books was an expensive exercise.

At the same time, the lack of arbitrage opportunities in the swaps market made it difficult for many borrowers to achieve their funding targets by issuing public bond offerings. Borrowers can often get cheaper funding by swapping the proceeds of a fixed-rate bond offering into floating-rate liabilities. It is believed many borrowers raised funds through private placements in recent months but nevertheless some are believed to have fallen behind in their funding schedules.

The lack of supply in the primary market has had a knock-on effect in the secondary market. In recent weeks the margin or "spread" between the yields on outstanding eurobond issues and the yields on the underlying government bonds has narrowed considerably. The pricing of a eurobond is usually determined at a spread over government bonds.

The tighter spreads in the secondary market prompted institutional investors, especially those with relatively high cash positions, to review their strategies. With the US treasury market also steaming ahead, they risked performing poorly against benchmark indices if they remained on the fence too long.

Evidence that investors were ready to start buying again and the tightening in yield spreads prompted borrowers to start tapping the market once again and the volume of new issuance after the first quarter picked up as a result. According to Euromoney, volume to May 23 this year now stands at $156.1bn, compared with $179.5bn in the first five months of last year.

The launch of two offerings from Glaxo Wellcome, the new drug company formed by the £9bn takeover of Wellcome by Glaxo, also cheered the market because the deals, one in sterling and the other in dollars, had been talked about for months. The sterling issue also went some way to satisfying UK fund managers' hunger for corporate bonds ahead of the launch of corporate bond Peps in the summer.

Syndicate managers also detect a change of attitude among investors in the Far East, especially Japan. For a good year, Japanese investors have been unwilling to buy non-yen assets because they did not want to be caught out by the inexorable rise of the yen. But signs that the yen is stabilising has prompted them to look again at bonds denominated in other currencies.

The recent demand for dual-currency bonds bears this out. This instrument pays the principal in yen but the coupon in another currency, for example, the D-Mark. It is estimated that private deals worth hundreds of billions of yen have been sold into Japan recently.

The difficult conditions in the eurobond market have prompted bond issuance off global and euro-medium term note (MTN) programmes to slow this year. However, this area, which has shown explosive growth in recent years, is likely to continue to be one of the fastest-growing areas of the debt capital markets.

An increasing number of borrowers are setting up euro-MTN programmes off which they issue their bonds because the documentation umbrella provided by the programmes enables them to access the market quickly and efficiently. This means they can move quickly when an attractive but fleeting funding opportunity presents itself either in the public or private market.

Data supplied by Lehman Brothers shows that a total of $173bn was raised in the euro-MTN market in 1994, almost doubling the record level set in 1993. Outstanding bonds issued off MTN programmes reached $292.5bn last year compared with $146bn in 1993 and just $53.3bn in 1992.

More than 800 bond issues were documented under euro and global mtn programmes last year, representing 17 per cent of total bond issuance. In addition, 120 new euro and global MTN programmes were established, bringing the total number of issuers to 471.

The fast rate of growth in euro-MTNs means that the market is now more than three times as big as the euro-commercial paper and is virtually the same size as the US MTN market. This suggests that growth will start to level off.

Lehman notes that the principal trend in the euro-MTN market last year was the dramatic growth of the yen sector, which reflected the risk-averse nature of Japanese investors during the rapid rise in the yen. The yen usurped the dollar for the first time as the most popular currency, accounting for 35 per cent of new issue volume compared with 18 per cent in 1993.

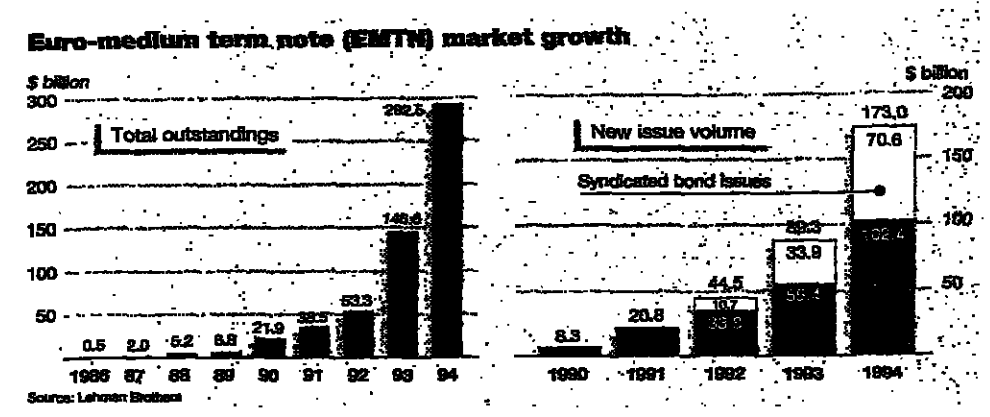
The rapid rise in the yen sector was also due to the decision by the Japanese Ministry of Finance to abolish the 90-day seasoning requirement for euro-yen issued by supranational and sovereign issuers.

Volume of international bonds*

Month	$m	Issues
1994	423,386.12	3,042
January	62,187.94	313
February	35,090.43	225
March	28,574.02	195
April	23,308.23	188
May	30,258.76	220
June	38,312.00	319
July	41,258.49	279
August	28,269.65	258
September	33,966.64	285
October	37,582.33	297
November	42,398.24	308
December	22,179.38	177
1995	129,456.54	849
January	44,985.50	246
February	32,640.49	205
March	26,195.72	213
April	25,634.83	185

* Excluding Yankees and Samurais. Source: Euromoney Bondware

Euro-medium term note (EMTN) market growth



Source: Lehman Brothers

Top 10 international bond houses – 1995*

Manager or group	Amount ($bn)	Issues	% share
Merril Lynch	12.23	57	7.83
Swiss Bank Corp	9.45	57	6.05
Deutsche Bank	8.76	30	5.61
CS First Boston/Credit Suisse	8.59	50	5.50
JP Morgan	7.93	46	5.08
Goldman Sachs	6.66	31	4.27
Nomura Securities	6.20	53	3.97
Banque Paribas	5.77	39	3.70
Morgan Stanley	5.70	51	3.65
ABN AMRO Hoare Govett	5.46	32	3.50
Total issues used in the table	156.12	1,022	100.00

* Up to May 23, 1995. Source: Euromoney Bondware

SYNDICATED LOANS: **Martin Brice** discusses the scramble for finance

Banks braced for a busy year

Corporate treasurers have been beating a path to the door of syndicated loans teams. In many cases, while their colleagues in debt issuance have been bruised by a bear market in bonds and job losses, syndicate loans teams have been extremely busy.

Figures from Euromoney Loanware show a 32 per cent increase in the total value of syndicated loans from the $210bn of 1993 to $278bn in 1994. The number of signed deals is up around 32 per cent, too, from 1,965 in 193 to 2,575 in 1994.

Furthermore, 1995 is set to be even busier. Euromoney figures show a total of 604 deals in the first four months of this year, worth a total of $123.5bn.

The reason for the rise in syndicated loans is simple: bond market volatility has pushed borrowers away from fixed-income liabilities into the arms of the banks, which have fought aggressively for market share as they wield their newly-rebuilt balance sheets in the battle for assets. As banks have competed for assets, so margins for borrowers have tumbled, by up to 50 per cent during 1994.

The fall in pricing and the rise in volumes has been charted by the Bank for International Settlements, in its quarterly report on financial market trends, published in February. Its figures show a fall in the amount of fixed-rate bonds issued and a rise in syndicated loans. The BIS said this was due to the "unsettled interest rate environment, which with the customised nature of credits and the reduction in lending spreads led many borrowers to prefer bank loans ... over bond issuance".

The most spectacular beneficiaries of this fall in pricing have been sovereign borrowers, which are an attractive asset class for banks anxious to lend because their credits are zero-weighted, which means banks need not put aside capital against them.

Sweden raised $6bn at just 8 basis points over the London interbank offered rate (Libor), Portugal raised DM3bn at 7.75 basis points over Libor, and Spain raised Ecu6bn at 8.75 over Libor. (A basis point is one hundredth of a percentage point.)

The benefits to sovereign borrowers from the unique coincidence of factors is best illustrated by the Ecu5bn loan to Italy. It will use the money to pay for maturing Italian government bonds denominated in ecu, known as Certificati del Tesoro. These were auctioned in January at a fixed rate of around 100 basis points over Libor. The Ecu5bn loan will cost the Italian treasury just 8 over Libor. Furthermore, not only is the loan cheaper than the bonds it replaces, but by reducing the size of the CTE market, the Italian treasury has seen spreads on the remaining outstanding CTEs tighten by 5 basis points in the week after the loan was announced.

Canada achieved probably the finest pricing seen so far on a credit to a sovereign borrower when it raised $6bn at just 4 basis points for the undrawn part of the loan and 6½ basis points on the drawn part of the loan.However, the loan is unlikely to be used since it is to bolster Canada's foreign currency reserves and it already has $15bn in reserve.

The enthusiasm of banks for lending to sovereigns has seen Ireland abandon the traditional syndication risk on its recent $750m seven-year deal. It is leading the deal itself, with Citibank taking a co-ordinating role.

The zero-weighting of loans to sovereigns has added to banks' enthusiasm for lending to them, but UK building societies have also benefited, since loans to them are 20 per cent weighted and they are seen as a good credit risk by international banks. Ironically, UK building societies are seeing very little demand for their main business, which is consumer loans on residential properties, yet they have become significant users of syndicated loans as they have moved to refinance existing loans at cheaper rates.

A landmark deal was the biggest loan in UK corporate history – the £8.1bn deal raised by Glaxo in total secrecy to fund its bid for Wellcome, its fellow UK drugs group.

Ten banks were paid 20 basis points over Libor in a series of one-off bilaterals, and the company is now issuing eurobonds to replace the loan.

Some bankers pointed to a deal for East Midlands Electricity late last year as a sign that the bottom had been reached in pricing when Chemical Bank seemed to take rather longer than usual in arranging a £350m five-year loan. One banker said at the time: "This may be a deal too far." However, in the event, the deal was oversubscribed.

While this fall in pricing has been global, some bankers do not believe margins will fall further.

Chris Vermont, director, international merchant banking at ANZ Grindlays Bank in London, said: "I can't see pricing coming down much more than at the moment. We have not seen any failed syndications but we have seen some which are quite tough to complete.

"You will always get resistance from certain banks when you reduce pricing. In India we have seen lots of banks fall out of the picture [in syndicated lending]. But others come in."

India is one market that has seen increased investor interest as a result of the troubles in Mexico. Mr Vermont said: "The Mexican effect has driven investors and lenders to look at a few emerging markets where they feel they are safe."

The price of a loan in India for a prime financial institution might be around 25 over Libor for up to five years, around 60 over for up five to seven years and around 80 over for a seven-year deal.

Margins to borrowers in eastern Europe have also fallen. They narrowed sharply in January with a deal for SPT Telecom, the Czech telecommunications company, which had a spread of 35 basis points over Libor.

CEZ, the Czech electricity utility recently launched a $75m three-year deal at 25 over Libor. A recent one-year loan to Romania was heavily over-subscribed and increased from $75m to $150m.

While the fall in pricing has been global, partly reflecting the mature nature of the market for international credits, it seems unlikely that pricing will decline from current low levels.

In the ever-changing world of international finance, only one thing is certain: if margins fall much further, banks will start to pay borrowers to take out loans.

Volume of international loans

Month	Amount ($bn)	Number
1994		
January	13.9	179
February	13.7	170
March	20.3	268
April	24.0	195
May	19.6	179
June	22.9	228
July	23.1	247
August	28.4	219
September	33.8	230
October	13.2	152
November	22.3	197
December	40.3	271
Month unknown	3.0	40
Total 1994	278.5	2,575
1995		
January	46.3	138
February	16.4	143
March	34.5	216
April	26.3	107
Total 1995	123.5	604
Total 1994-1995	402.0	3,179

Source: Euromoney Loanware

Top 10 international loan arrangers 1994*

Name	Amount ($bn)	Number	% share
1 Chemical Bank	16.9	104	8.2
2 NatWest Markets	15.1	179	5.5
3 Citicorp	14	143	5.1
4 Barclays Bank	11.5	110	4.2
5 ABN-Amro	9.5	106	3.5
6 Chase Manhattan	8.5	126	3.1
7 HSBC Markets	8.3	131	3.0
8 Deutsche Bank	8.1	88	2.9
9 J.P. Morgan	7.9	56	2.9
10 CSFB/Credit Suisse	7.4	36	2.7

* Signed loans only. Source: Euromoney Loanware

US CORPORATE BONDS: **Antonia Sharpe** reports

Disappointing volume

Many US corporate treasurers used the bull market of 1993 to refinance a large proportion of their bank debt in the bond market, thereby extending the maturity of their debt and securing historically low interest rates.

In 1993, the new issue volume of US corporate bonds jumped to more than $400bn from $294bn the previous year. But volume dropped to $377bn in 1994 and has been disappointing this year because corporates had pre-funded their needs in 1993.

The drop in bond issuance by US corporates has meant that many US institutional investors, uncomfortable with their high cash positions and the short duration of their portfolios, have been unable to achieve a more balanced portfolio.

> **An increasing number of European borrowers are going to the US for funding**

Earlier this year, it was estimated that US investors had between 35 and 40 per cent of their fixed-income funds in government securities, double the normal allocation of about 20 per cent. The lack of supply in the corporate bond market has also led to a considerable tightening of spreads on corporate bonds over the yields on underlying US Treasuries. This means that potential borrowers can achieve lower costs of funding.

Although US corporate borrowers are quiet, an increasing number of European borrowers are going to the US for funding. They can tap the enormous pool of US domestic investors by issuing bonds in the Yankee bond market, the US domestic market for foreign borrowers.

In recent years, the US Securities and Exchange Commission (SEC) has encouraged foreigners to raise financing in the US by making the issuance procedure less complicated. The introduction of the 144a provision, for example, has enabled foreign borrowers opting for a private placement to reach a broad range of institutional investors and therefore get better pricing.

Although registering with the SEC takes time and involves converting accounts to US GAAP, many European companies have found that the process was not as painful as they had expected. Once they have filed a shelf registration with the SEC, tapping the US bond market is quite easy.

Judging by the large number of European governments, banks and companies which now tap the Yankee bond market, the SEC's efforts have paid off. Although the fees on a Yankee bond are higher than those on a traditional eurobond, this has not hindered foreigners from tapping this market.

Indeed, for European companies, especially those with credit ratings of single A or below, the Yankee bond market is virtually the only source of large-scale and long-dated financing. The conservative nature of eurobond investors means that corporates with inferior ratings have difficulty in issuing eurobonds with a maturity of more than five years.

By contrast, US investors have a history of investing in securities of foreign borrowers and have become very skilled in analysing and putting a price on credit ratings. According to JP Morgan, only 16 per cent of issuers in the Yankee bond market have a triple-A rating; 31 per cent have a double-A rating, 18 per cent a single-A rating; 17 per cent have a triple-B rating and 18 per cent have ratings of double-B or below.

At the same time, the US market provides constant availability of funds in the longer maturities. In 1994, 41 per cent of Yankee bonds had maturities of between 6 and 10 years, which compares with only 27 per cent of eurobonds. Borrowers have little difficulty in getting maturities of more than 20 years in the Yankee bond market whereas it is virtually impossible in the eurobond market. The Yankee bond market allows borrowers to incorporate call or put options on their deals which again is difficult in the eurobond market.

A recent 40-year bond offering by Grand Metropolitan, the UK consumer group which has

Continued on next page

INTERNATIONAL CAPITAL MARKETS III

JAPAN: **Emiko Terazono** discusses the problems in the bond market

Haggling delays deregulation

Prolonged haggling over a settlement system for Japan's corporate bond market is causing anxiety among its participants.

Long famous for its myriad of regulations, the ministry of finance has tried to improve the market's attractiveness for corporate fund raising. However, the archaic role of banks in the corporate bond market and the lack of a settlement system in line with those such as Euroclear or Cedel have been the main reasons for a subdued market.

The inefficient domestic market has contributed to the massive shift of financing to the Eurobond market. Although most issuers and investors have been Japanese, high costs, tedious procedures and the lack of trading and arbitrage opportunities due to a fledgling secondary market has driven financing overseas.

While domestic issuance has shown signs of increasing following gradual deregulation by the ministry of finance over the past few years, the secondary market has remained virtually non-existent. Turnover in 1993 totalled Y13,101bn, only 62.6 per cent of the total outstanding, a sharp contrast to the Japanese government bond market. Trading in long-term government bonds, for instance, was 6.8 times that of the outstanding amount during the same year.

The illiquid turnover is mainly due to a settlement system governed by a pre-war law which requires bonds to be "registrated" with banks following trades. The rule which originates from a period when many companies defaulted on bonds, was designed to protect investors. Hence a trade is not legally completed until the new owner of the bond is registered with the bank. "Many corporate bond transactions will take about one month to complete," says Shuji Yonehana at Nomura Securities.

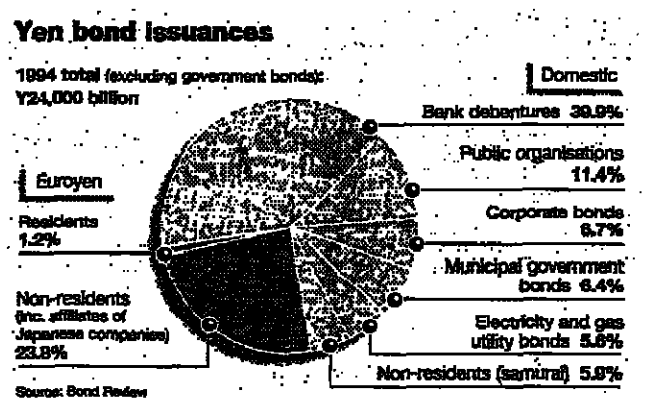
Talks between brokers, banks and the ministry of finance over a central settlement system broke down last March after intense debate. The securities houses want the registration law abolished and the creation of a system similar to that of Euroclear and run by an independent organisation. However, banks, which receive a fee for accepting the registrations, are against removing the registration law.

Industrial Bank of Japan, where 70 per cent of the bonds are registered, has suggested that the law be amended slightly rather than abolished altogether, and that it would pay some of the costs if it could run a central system. Masao Kaito, executive director at Morgan Stanley Japan, believes that having one institution taking on such a risk would be unacceptable.

Issuance costs have also been propped up by the legacy of the pre-war role of banks. Before the second world war, IBJ was the dominant bond underwriter, and as a concession to the post-war ban of the banks' involvement on bond underwriting, the ministry of finance required banks to adopt a trusteeship role. Officially called the "commission bank system", banks managed the issuers' collateral on behalf of the bondholders, in effect acting as insurance agents. Until the amendment of the commercial code in October 1993, banks were also involved in determining issuance conditions, and even for uncollaterlised issues, banks were required as "bond trustees" and received commissions which raised the issuer's cost.

Since 1993, the banks have been limited to an administrative role in managing collateral and paying out interest to bondholders. This has led to a

Yen bond issuances



Source: Bond Review

slight fall in issuance costs. Nomura says current domestic bond issuance costs are roughly three times that of the Eurobond market as opposed to four times prior to 1993.

Meanwhile, other regulations which have stunted the market have slowly been removed. One change has been the elimination of the eligibility rule for bond issuers. In April 1993, the lowest credit rating of companies eligible to issue unsecured bonds was lowered from A to triple-B allowing some 300 companies to issue uncollateralised bonds in addition to the 500 approved in the past.

Restrictions on products were also lifted, with companies allowed to issue five-year straight bonds, which had attracted resistance from banks which issue five-year bank debentures. Other products, including dual currency bonds and floating rate notes, were also approved, and the 90-day rule which limits resale of overseas yen bonds to Japanese residents for 90 days after issuance, was removed last January for sovereign issuers.

The developments in the bond market, however, have been in response to the slump on the Tokyo stock market and have not necessarily represented a genuine desire among financial authorities to deregulate its markets. "Even with the reforms in place, it may take years to generate sufficient liquidity," says Benn Steil, senior research fellow at the Royal Institute of International Affairs. The inexperience of domestic brokers in market-making has been questioned, and the traditional "buy and hold" policy of domestic investors, have been cited as impediments.

INTERNATIONAL EQUITY OFFERINGS: **Conner Middelmann** reports

Fragile environment for issues

Governments and companies wishing to raise money on the international equity markets in 1995 are likely to find it more challenging than in recent years.

For although the last few weeks have seen a pick-up in primary activity, the sheer weight of supply from public and private-sector issuers is likely to weigh on prices and threaten the markets with congestion. This means that some of the larger issues may have to be put off until 1996.

"It will remain a fairly fragile environment," predicts Mike Young, director of European investment strategy at Merrill Lynch in London. "Privatisation issues could start bumping into each other in the rush to get them out in the second half of this year, and some could be pushed into 1996." Moreover, while rallies in the underlying markets may fuel more issuance, that very increase in supply will keep their upside limited, he warns.

In Europe, the market for new international equities got off to a slow start this year, depressed by currency turbulence, falling stock markets, political uncertainties (such as the French elections and Italian coalition wranglings), and disgruntled investors sitting on losses.

In the emerging markets of Asia and Latin America primary activity all but ground to a halt following the Mexican peso crisis last December.

The contrast to last year's record levels of issuance is stark. In 1994, there were some $57.8bn of new equities, compared with $9.9bn in the year to mid-May, according to Euromoney Bondware. The first four months of this year have seen some 73 equity issues worth $9.4bn, compared with 144 offerings worth $20.3bn during the same period in 1994.

However, the primary equity sector in recent weeks has witnessed a considerable improvement in sentiment, and investment bankers are beginning to chip away at the backlog which formed in the first months of this year.

Underpinning sentiment in the primary market has been the recent strong performance of stock markets in Europe and the US, which have been bolstered by growing hopes of continued slow, low-inflationary economic growth and the dollar's gradual recovery. Moreover, emerging bond and equity markets have been experiencing a revival, reflecting investors' willingness to test the water again.

US investors, whose hunger for international securities was one of the driving forces behind the issuance boom of recent years, are once again increasing their exposure to international markets after keeping a low profile in the first four months.

According to AMG Data Services, a California-based company which monitors mutual fund flows, inflows into US mutual funds investing internationally have risen to around $300m a week since the beginning of April. While that's still far from the $1bn a week recorded at the end of 1993, it is up substantially from virtually flat levels at the beginning of 1995 after the emerging-market upheaval.

"The strong rise in the US stock market has made US investors nervous about how much higher prices can go there," says Merrill's Mr Young. Moreover, the US rally makes many comparable European stocks look cheap, especially in sectors like oil and pharmaceuticals, he says.

"A lot of people seem to be saying: we've had the correction, we've seen an uptick – maybe it's time to average in," he says. That trend is being further underpinned by the long-term commitment of many US institutions to diversify their non-US exposure.

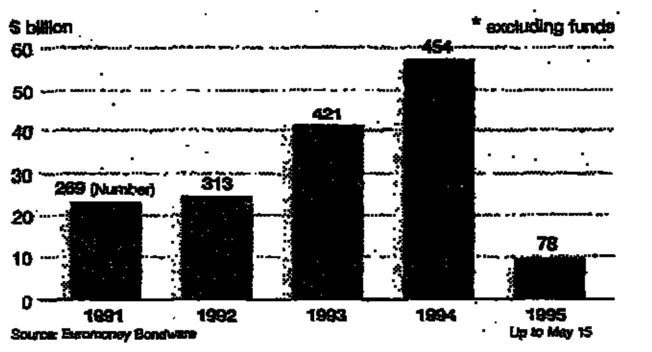
Another factor underpinning the primary equities sector is supply. "Primary market conditions have improved markedly – partly because we didn't have much supply in the first four months," says Jerker Johansson, head of equity capital markets at Morgan Stanley in London.

Moreover, "we find that investors have relatively high levels of liquidity and that recent strong market performance is putting pressure on them to put that cash to work," he says.

New equity offerings lend themselves well to this type of re-entry, he says, because "with a new issue, investors have a unique opportunity to build up core positions without being restricted by secondary market liquidity."

Let's hope that the investor

Volume of international equity issues*



Source: Euromoney Bondware

enthusiasm lasts, as the new-issue calendar is bursting with stock yet to be sold.

On the privatisation front alone, "there is undoubtedly an enormous pipeline when you look at all the governments' wish lists," says James Sassoon, head of the global privatisation group at SG Warburg, who expects to see up to $15bn per quarter in public privatisation offerings over the next four to five quarters.

The OECD recently forecast that proceeds from privatisations in Europe would total some $40.5bn in 1995, compared with $50.8bn in 1994, with the largest offerings expected in France ($9.9bn), the UK ($8.5bn) and Italy ($6.5bn). These levels will be exceeded in 1996, partly as a result of the partial privatisation of Deutsche Telekom (expected to total DM15bn).

Telecommunications companies are expected to be particularly heavy issuers – Morgan Stanley estimates they will make up some 40 per cent of new issues this year.

In Europe, the estimated $950m partial privatisation of Portugal Telecom is next, but close on its heels come KPN of the Netherlands (about $4bn) and Spain's Telefonica (about $1.2bn); Italy's Stet with an estimated $6-8bn sale; the long-awaited offering for Turkey's telecommunnications operator; as well as new shares in Hungary's Matav (about $1bn) and Israel's state telecommunications company Bezeq (some $650m).

In Asia, Indonesia's PT Telkom plans to raise up to $3bn later this year – expected to be the largest Asian equity offering this year – and in India the estimated $500m to $1bn offering for the country's international telephone monopoly Videsh Sanchar Nigam – delayed last year – still looms.

Overall international equity issuance – public and private – could total some $120bn in the next 2½ years, the bulk of which will be accounted for by privatisation sales, estimates Ludovico del Balzo, head of equity capital markets at Lehman Brothers in London. "Judging by current conditions, that will be feasible, but we will have to marshall all the institutional fund flows around the world," he says.

Given issuers' fierce competition for capital, they will have to woo investors with attractive pricing, many say.

"Those issuers willing to offer realistic pricing levels will be successful," says Mr del Balzo. "The market is beginning to be more efficient, but it is still a discriminating buyers' market."

SECURITISATION: **Tracy Corrigan** reports

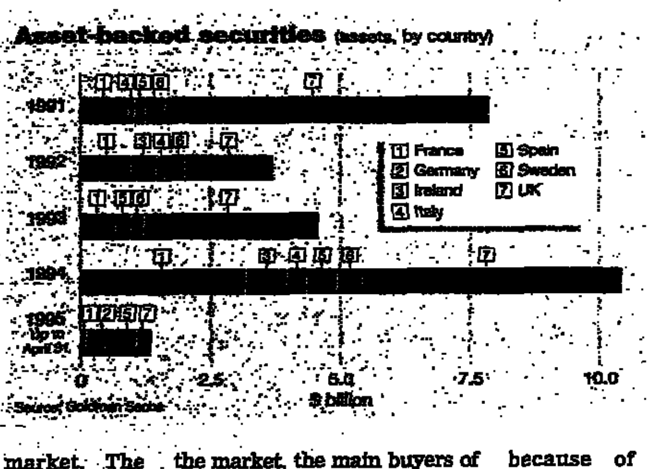
European vision fades

The vision of a pan-European market in asset-backed securities, on the same scale as the US mortgage-backed and asset-backed markets, has faded. Instead, the market has evolved into a niche financing sector, with deals structured to suit particular issuers' and investors' needs.

Securitisation allows an issuer to take assets off its balance sheet by repackaging them as bonds which are then sold to investors. The cash flow on the underlying assets is used to pay interest to investors.

In the late 1980s, financial institutions drafted in sizeable teams from the US or set up new units to deal with the expected boom in securitisation. At least half of these have now been disbanded.

Asset-backed securities (assets, by country)



Source: Goldman Sachs

There have been several barriers to the creation of a European securitisation market. The main hindrance is the lack of large homogeneous pools of assets. The largest sector is the UK mortgage-backed securities market. Securitisation was used to finance the entrance of new mortgage-lenders to the expanding UK housing market of the 1980s, and rose rapidly to more than £10bn. But the collapse of the housing market caused the origination of new mortgages to dry up after 1988, and the pool of assets for securitisation disappeared.

In the market's early days, cost was often prohibitive. Some financial institutions found the costs of gathering information on assets on computer systems were high. Legal fees alone on one early deal amounted to £2m. "The level of costs required to bring a transaction to market were significant and created an entry barrier for would-be issuers," said Mark Lewis, a director of UBS's European asset-backed finance group. "However, as the market has developed and become more efficient, so those costs have fallen very significantly, enticing issuers back to the market place."

While intermediaries have been unsuccessful in bringing a steady stream of borrowers with suitable assets to the market, they have managed to expand the original base of investors. In the early days of the market, the main buyers of asset-backed paper were banks, whose expertise allowed them to assess the underlying assets with reasonable confidence.

The market was concentrated in the hands of a very small group of investors. Indeed one investor, Abbey National, virtually controlled the mortgage-backed securities market. But a widening of spreads relative to Libor at the end of the 19880s attracted a broader range of investors, including corporates and mainstream fund managers. "There is now a deep and varied investor universe," according to John Van Deventer, head of European securitisation at Goldman Sachs.

Issuers have helped the process of attracting new investors by giving more information on assets. For example, many issuers now give regular updates to investors on the performance of the underlying assets, such as mortgages, which are acting as collateral. Furthermore, the fact that mortgage-backed securities came through a grim housing recession intact has given considerable comfort to investors.

"The spreads on subordinated tranches became very wide during the housing recession, but the paper has held up under severe pressure," said Mr Van Deventer. The level of over-collateralisation, sometimes called into question in the early days, has been shown to give adequate protection in adverse circumstances.

Still, some sectors, which were expected to take off, remain stubbornly quiet. There has yet to be a credit card-backed issue in the UK, partly because of the Bank of England's rather negative view of such issues. Several credit card operators based overseas are considering deals backed by UK assets, but the market is unlikely to boom.

Other sectors have become more lively, due to specific circumstances. French institutions have been relatively active, spurred by the need to get some of their weak assets off their balance sheets. As a result there are deals in the works backed by consumer loans, commercial property and residential mortgages. Given the problems of its banking sector, the French market is likely to prove fertile territory for some time to come. The restructuring of the Swedish banking industry sparked a similar spurt of activity, which has since abated. Other French companies may also have recourse to the market.

In recent years, there has been a proliferation of "conduit" programmes arranged by banks, which channel through assets, which are then used to back commercial paper and medium-term notes. These structures are particularly useful in allowing corporates to finance fairly small amounts of trade receivables and leases.

A lot of deals are now completed outside the public market. "The public capital market is not always price-competitive with either direct bank lending or the private market, so more business is being channelled through private placements," said Jim French, head of international securitisation at Lehman Brothers.

Disappointing volume

Continued from page 2

a large US presence, is a good example of how the Yankee bond market can allow treasurers to manage their balance sheets efficiently.

The bonds have a put option at 10 years which holders can exercise if Treasury yields have risen above the yield on the bonds. However, if the bonds are not put, then Grand-Met is able to call a preferred stock offering which is callable from November 2004. This structure has provided Grand-Met with a simple but effective interest rate hedge.

Meanwhile, the rise in US treasuries has prompted a revival in the US junk bond market as mutual funds seek paper with a higher yield. A fall in the default rate has also revived interest in this market. Issuers of junk bonds have credit ratings of below triple-B or speculative grade ratings.

Officials at Merrill Lynch in New York said that issuance of junk bonds had topped $10bn so far this year and that a further $3.5bn to $4bn was in the pipeline.

The demand for high-yielding paper has caused spreads to tighten which means that issuers of junk bonds can get finer pricing.

GOVERNMENT BONDS: **Graham Bowley** discusses the market outlook

Recovery has been muted

After last year's sharp drop in prices, the principal government bond markets have staged a muted but significant recovery this year, led by a rejuvenated US Treasury market.

The trigger has been economic data pointing to a more severe slowdown in the US economy than had been anticipated at the turn of the year.

This has led to a downwards revision in both growth and inflation forecasts for the US and the increasingly widespread belief that US interest rates – the key federal funds rate is 6.0 per cent – are now close to their peak in the current economic cycle and may even begin to fall soon.

There are *signs that many* cash-rich investors have begum to return to the government bond markets after remaining on *the sidelines after last* year's terrible bear market.

"This rally is fuelled by real money coming into the market," says Garry Jones, head of global bond strategy at Paribas Capital Markets in London. "It is not a speculative rally." He expects the rally to continue, although by no means in a *spectacular fashion*.

As markets have strengthened on the back of the unexpectedly good news about US interest rates, bond yields have fallen. In the US, the 10-year benchmark government bond yield has broken below the key 7 per cent level to around 6.6 per cent currently, compared with 7.8 per cent at the begin*ning of the year and more than* 1.4 percentage points lower than last year's peak.

The US yield curve flattened *during the first quarter of the* year, reflecting a fall in long-term bond yields as investors became less concerned about inflationary pressures. In the second quarter, the curve has steepened again, reflecting a fall in short-term yields as fears of an early interest rate rise have waned.

In Germany, the benchmark 10-year bond yield broke through 7 per cent this month to 6.8 per cent currently, more *than 0.9 percentage points* below last year's peak.

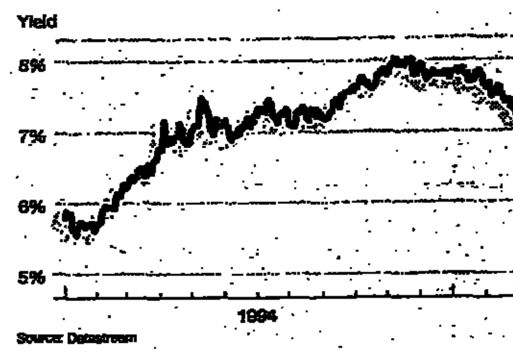
The recovery in the US and throughout Europe has come despite periods of severe strain and great volatility. The aftermath of the Mexican peso crisis in the first few months of 1995 and the general sell-off this provoked throughout the world's so-called emerging *markets sent shudders through* US Treasuries and other markets as western countries led by the US attempted a rescue.

Investor concern over *rising* levels of indebtedness provoked by the Mexican crisis was transferred to the so-called peripheral, highly indebted countries of Europe. Investors piled into the safe haven of the core German market, in a "flight to quality" away from large debtor countries such as *Italy, Spain and Sweden, which* saw a sharp rise in their bond yields relative to German yields as a result.

This move away from the peripheral markets was reinforced by extreme volatility on the foreign currency exchanges. This volatility, caused by uncertainty following the Mexican crisis and by the further weakening of the dollar as it continued its fall against the yen, was a theme which dominated financial *markets during the first part of* this year. It is partly due to a more stable US dollar in recent weeks that the US Treasury market has enjoyed a resurgence in its fortunes.

The currency volatility, which saw the D-Mark and the yen appreciate sharply against most other currencies, with the Italian lira, French franc and sterling among the main casualties, once again sent nervous investors piling into the core markets.

The Italian government bond market was dogged by its own domestic political problems and uncertainties surrounding the Italian authorities' attempts to push through crucial pension reforms aimed at improving the country's public finances. Since an agreement on the reforms was reached *early this month, the Italian* market has recovered significantly – with the yield spread *over bunds, which ballooned to* more than 600 basis points earlier this year, narrowing to around 524 basis points.



US 10-year treasury bonds

Political uncertainties prior to the recent presidential elections were also a significant influence on the French government bond market. The yield spread over German government bonds, which had wid*ened during 1994*, rose as high as 87 basis points in March. Since Jacques Chirac's victory, *however, the market* has recovered substantially, with the spread over bunds narrowing to around 60 basis points.

In Germany, the strength of the D-Mark and subdued monetary growth outweighed fears of growing inflationary pressures arising from the annual wage round, leading to a flattening of the yield curve in the first quarter of the year.

However, the Bundesbank surprised most market commentators by cutting interest rates at the end of March and since then the curve has steepened as weaker economic data has fuelled hopes of a further cut in interest rates.

The Japanese bond market has rallied strongly throughout *this year – in US dollar terms*, Japanese government bonds have registered a startling 22 per cent total return so far this year. *It has been* boosted by speculation that interest rates might be eased as a response to the weakness of the Japanese equity market and to the appreciation of the yen, and by a continued repatriation of funds by domestic investors as the yen has strengthened.

The foreign currency markets are likely to continue to hold the key *to how* bond markets will fare over the coming months. In particular, the tide of investment flows into Japan may turn if the dollar continues to stabilise against the yen.

How the US Treasury market fares will in turn determine how European government bond markets perform.

EMERGING MARKET DEBT: **Graham Bowley** reports

Latins lead the way back

Mexico's financial crisis, triggered by the devaluation of the Mexican peso in December last year, sparked a widespread crash in emerging market debt *across* the globe. *Since March*, however, the emerging debt markets have staged an equally dramatic recovery.

"Most assets are now close to their eve of crisis levels," says Paul Luke, head of emerging market research at Morgan Grenfell.

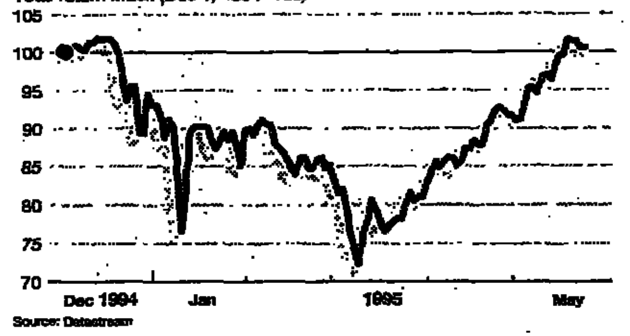
According to the JP Morgan index of emerging market debt, *total returns fell by about 30* per cent between December 1994 and early March. Since then, total returns have recovered and towards the end of May stood just 2 per cent below their December peak.

The catalyst has been the better economic prospects of a number of developing countries, principally Mexico and Argentina, coupled with an improvement in the US Treasury bond market. Mexico's gross domestic product has been hit less than initially feared, despite the austerity package implemented by the Mexican government after the crisis. Worries that the corpo*rate sector would buckle under* the weight of funding debt at the current high interest rates have also proved unfounded.

President Carlos Menem's victory in the Argentine elections last month has also provided a boost to Latin America, suggesting that the tough economic medicine that has already begun to be applied to the Argentine economy will continue. The fear that Mexico's troubles would pass to Argentina, a country with similar problems, particularly a heavy reliance on external finance, has receded as Argentina's good trade performance continued.

Investors, attracted by the high yields and the huge potential for capital gain, have returned to the market. In its *initial stages* the recovery was driven mainly by purely speculative buying. But now longer-term investors – in particular US pension funds – are returning in force. Hedge funds are also beginning to buy paper again. US mutual funds, on the other hand, which were large buyers of emerging market debt in 1993 and 1994, but which were badly burnt, remain wary.

The rise in US interest rates last year was blamed by many for causing the recent problems, as US investors retreated to the safety of bank deposits. But as US Treasury yields have begun to decline on signs that the US economy is slowing and indications that short-term interest rates may even start to fall soon, investors are putting their heads back above the parapet to take advantage of the high yields on offer in the emerging markets.



Secondary market performance of Brady bonds

"The attraction of the emerging markets is clear," explains Mark Franklin, head of European *emerging market debt* at Salomon Brothers in London. "They are the only truly high-*yielding market remaining* in the world."

The borrowers have also returned. Activity among emerging market issuers virtually disappeared in the darkest days of the crisis. But now as investor demand has driven yield spreads down close to pre-crisis levels, issuers, too, have arrived on the scene - led by those in *Latin America* .

Banco Bradesco, Brazil's largest private bank, recently borrowed $100m via a two-year eurobond on which it paid a yield spread of 375 basis points over US Tresury bonds. This compares favourably with a similar bond launched in Janu*ary 1994* on which it paid a spread of 325 basis points at launch. Brazil itself tapped the eurobond market late last *month with a Y50bn* samurai bond, the first yen deal for the country in 16 years.

Poland – which is leading the rally among the eastern European emerging markets – is also expected to issue its *first* eurobond *early this* month. Moody's and Standard & Poor's, the US credit rating agencies, are expected to award Poland its first credit rating soon, and the yield spreads om Polish par bonds have already narrowed in anticipation – from 900 basis points in March to 400 basis points at the end of May.

*Russian debt, hit by the Mex*ican crisis and by its own domestic problems, has also participated in the rally. Vnesheconombank bank loans – loans to the former Bank for Foreign Economic Affairs of the *USSR* – which traded as low as 17 cents to the dollar recovered to 26 cents towards the end of last month and look set to rise further as inflation continues to fall. Inflation, 18 per cent in January, fell to 8.5 per cent in April, and treasury bill yields have fallen in tandem. Last month the government announced ambitious plans to expand the treasury bill market, with a range of new longer-term instruments, including gold-backed bonds.

But although the rally has been widespread across most emerging markets, a distinction must nevertheless be made between sovereign and *private sector borrowers*. For although yield spreads on sovereign issues have narrowed sharply, the yield spreads faced by many corporate borrowers are still extremely high, as these private sector issuers struggle to shrug off their risky image.

"The market has ebbed and flowed and left some in the sovereign sector higher and some lower but has generally left the private sector with much higher spreads than previously," said Mr Luke.

The recovery has been startling, but it is by no means *guaranteed that emerging* markets can resume their previous upward path.

Turnover of futures and options traded on international exchanges (Number of contracts in millions)

Instruments	1990	1991	1992	1993	1994	1995*
FUTURES						
All markets	288.2	315.4	413.4	537.2	806.4	220.0
Interest rate	219.1	230.9	330.1	427.1	627.7	161.9
Currency	29.7	30.0	31.3	39.0	69.7	26.8
Equity index	39.4	54.6	52.0	71.2	109.0	31.3
OPTIONS						
All markets	190.0	195.0	222.2	250.8	333.8	84.5
Interest rate	52.0	50.8	64.8	82.9	114.5	27.1
Currency	18.9	22.9	23.4	23.8	21.3	4.4
Equity index	119.1	121.4	133.9	144.1	197.9	53.0

* First quarter

Source: Bank for International Settlements

DERIVATIVES: **Richard Lapper** reports

Caution prevails

The banks and securities houses which earn their living from selling derivatives have had a bruising 12 months. Yet the popularity of the simplest futures and options contracts traded on exchanges is increasing and against some expectations the market is continuing to grow.

The collapse in February of Barings Bank as a result of derivatives losses, followed a *number of* highly-publicised corporate losses in 1994. Events elsewhere in the financial markets, including the Mexican devaluation in December and the subsequent collapse of confidence in the emerging markets, have conspired to warn investors away from all but the safest havens.

"The market has been very *difficult*," says *George James*, managing director at Morgan Stanley in London. "Every board of directors and investment committee is wary about involvement in derivatives. People are concerned that decisions could be questioned after the fact, regardless of circumstances."

Many corporate buyers of OTC derivatives are still running scared, following the losses suffered in 1993 and 1994 by the likes of Procter & Gamble, the US food group, and Metallgesellschaft, the German engineering company. The losses incurred from leveraged *derivatives have* "clearly caused a rethink", and a wide range of the investment community has had to re-examine their portfolios, says another executive.

Traders say that declining profit margins – and some losses for a few banks – on derivatives-related activities, have led many managers to tighten the reins on traders. Many dealers have been subject to stricter limits in relation to the amount of exposure they are allowed to take on their books. "I think events have simply heightened the awareness of risk management within every institution – they have focused on making sure the products make sense for what they want to do," says *the fixed income manager at* one US investment bank.

"The rational response to last year's losses has been to reduce risk limits a little bit," he adds. Traders involved in more peripheral markets – Italian rather than German or US Treasury bonds, for example – have suffered most, correspondingly reducing their *needs to enter the futures* market to hedge positions. "I tend to see people focusing on their core markets and retrenching into the things they do well."

John McCormick, a senior vice-president at Bank of America in London, says many banks or firms that would have looked at entering the market will have delayed. "Those that are already *there are certainly* taking a closer look."

Hedge funds are now less active than they were in 1993 and early 1994. "Many of the fixed income specialist funds lost money and deleveraged, so the positions they took through derivatives are gone from the market," says Mr James.

These forces have contributed to slower growth and even a decline in some sectors of *the market. In particular*, demand for more complex over-the-counter products has slumped.

In a recent survey of the US debt markets, Swaps Monitor, the industry newsletter, found only a tiny percentage of paper issued during April this year involved complex structured features. "Complex structures were totally absent," comments Swaps Monitor. "There were no range notes, no leveraged plays of any kind, no quanto structures, nor any of the other kind of structures which were common until last year."

On the other hand, figures indicate that at the futures and options exchanges, where simpler and less complicated futures and options products are on offer, turnover has been reasonably buoyant. In the first quarter of 1995, for exam*ple, the volume of contracts* increased marginally over the same period of 1994, according to figures released in May by the Bank for International Settlements. In all, 304.5m contracts were traded, compared with 299m in the same period last year and 268.2m contracts in the final quarter of last year, indicating that growth is continuing albeit at a slower pace.

A decline in turnover in interest rate contracts (162.9m compared to 170.4m in the first quarter of 1994) was compensated for by an increase (from *27.5m to 31.3m in equity con*tracts) and a more than doubling in the volume of currency contracts traded (from *11.8m to 26.8m contracts*).

In the options markets interest rate and currency contracts declined respectively from 32.6m in the first quarter of 1994 to 27.1m in the first quarter this year and from 5.6m to 4.4m contracts, but equity option turnover increased from 51m to 53 contracts.

Not every exchange and every *contract has seen* the same level of growth. The London International Financial Futures and Options Exchange (Liffe) reported a 47.5 per cent fall in turnover in its 10-year gilt futures contract and a 28.1 per cent fall in volume on its bund contract in the first four months of this year, for example, and Matif, the French exchange, the Deutsche Terminbörse, the German exchange, and Liffe suffered hefty falls in volume in the first quarter compared with the same period in 1994.

In the longer term, though, the use of the simpler derivatives traded at exchanges is clearly growing – BIS figures show that since 1990 international turnover in exchange traded products has more than tripled.

The increasing popularity of such instruments among inves*tors looks likely to offset* any temporary setbacks.

COMMODITIES AND AGRICULTURE

Gold helps Anglo extend its lead in mining league

By Kenneth Gooding, Mining Correspondent

Higher gold prices helped Anglo American Corporation of South Africa increase its lead as the world's biggest mining group over RTZ Corporation of the UK, according to the latest Who owns Who in Mining by the Raw Materials Group of Sweden.

The analysis also shows that, despite the efforts of some governments to privatise parts of the mining industry, state mining is far from dead. Among RMG's top 50 companies in 1993, the state-controlled share was the same as for the previous year, 26 per cent. However, RMG says that, when it publishes the 1994 figures next year it expects the state share to be considerably less. "It is only in 1994 that the privatisation programmes in several countries gained momentum," it points out.

RMG's work shows that of the 25 largest mining companies in 1993 most – 19 – were based in industrialised countries but only two, RTZ and the State of France (Bureau de Recherches Géologiques et Minières; Eramet – which controls Societé le Nickel; and Pechiney), were in Europe. Ten were based in North America, three in Australia and four in South Africa.

"The geopolitics of mining is different from other industries. Not only is Japan missing as a power in mining but among the developed countries two additional centres of gravity are to be found, South Africa and Australia," RMG says.

The group admits that by many other criteria RTZ can claim to be the world's biggest mining company. But RMG draws up its league table by reference to the value of non-fuels minerals production controlled by each company. This method of assessment gives most weight to production of high-value metals and minerals such as gold and diamonds and in 1993 gold prices were improving while those for base metals were mainly depressed.

This helped Anglo to improve its position last year. As RMG points out, Anglo controlled 23.2 per cent of western world gold production in 1993 (including output by Johannesburg Consolidated Investment as well as Anglo's share of Gold Fields of South Africa's production).

Anglo is not only the world's biggest gold producer: companies it controls are the biggest producers of antimony, chromite, platinum group metals, tungsten and vanadium. In cobalt it ranks fourth, in copper sixth, in diamonds second (the statistics assume De Beers is part of the Anglo empire), in manganese and niobium third and in nickel it holds fourth place.

Even so, Anglo's share of western world non-fuel mineral production has been slipping steadily since 1984, from nearly 16 per cent in that year to 8.59 per cent in 1993.

RMG includes CRA of Australia as part of the RTZ group, whose share of western world production moved up from 5.1 per cent in 1992 to 5.36 per cent, mainly because of increased copper output in North America and Chile. In 1993, according to RMG, RTZ was the world's biggest producer of titanium and borax; had the second biggest output of copper and lead, the third largest of iron ore, molybdenum and zinc, the fourth biggest of bauxite, gold and silver. It was fifth biggest in lithium and zinc production, sixth in rare earths and seventh in tin.

RMG leaves out of its calculations industrial minerals and says that if such materials as talc and salt were included RTZ's world share would increase to 6.2 per cent, still not enough to eliminate the lead enjoyed by Anglo.

Who Owns Who in Mining 1995: £180 or US$360 from Roskill Information Services, 2 Clapham Road, London SW9 0JA, UK.

Top Non-fuel Miners in 1993 (ranked by share of total value)

Rank (1992)	Company/state	Country	Share (%)
1 (1)	Anglo American	S Africa	8.59
2 (2)	RTZ	UK	5.36
3 (3)	State of Brazil	Brazil	3.27
4 (4)	Broken Hill Proprietary	Australia	2.74
5 (5)	State of Chile	Chile	2.04
6 (6)	Gencor	S Africa	1.52
7 (7)	Freeport McMoRan	US	1.41
8 (12)	State of Morocco	Morocco	1.25
9 (16)	State of Malaysia	Malaysia	1.23
10 (8)	Imcera	US	1.21
11 (11)	MIM Holdings	Australia	1.18
12 (10)	Brascan	Canada	1.06
13 (15)	Phelps Dodge	US	1.05
14 (18)	Western Mining	Australia	1.05
15 (13)	State of France	France	1.05
16 (14)	Asarco	US	1.02
17 (9)	Inco	Canada	0.98
18 (17)	Placer Dome	Canada	0.96
19 (19)	Auxiliar de Empressa de Mineracao	Brazil	0.94
20 (20)	State of India	India	0.92
21 (21)	Cyprus Amax Minerals	US	0.86
22 (22)	Iscor	S Africa	0.78
23 (26)	Homestake Mining	US	0.72
24 (24)	Newmont Mining	US	0.69
25 (39)	Rembrandt Group	S Africa	0.66

Source: Raw Materials Data, Stockholm

More nickel expansions under consideration

By Kenneth Gooding in London and Nikki Tait in Sydney

Two more big nickel expansion projects, one in Australia and the other in Indonesia, are under consideration.

PT Inco, the Indonesian nickel producer 58 per cent owned by Inco of Canada, says it may spend US$1bn to take its annual production to 220m lb by the year 2010. This would call for the development of two more nickel mines and related processing facilities.

This plan goes well beyond PT Inco's recently-announced $500m expansion programme that will increase its annual capacity from 100m to 150m lb by 1998.

Meanwhile, at the official opening of Western Mining Corporation's Mount Keith nickel mine, managing director Mr Hugh Morgan, said a number of options were being considered to increase the present annual output from 62m lb to 92.5m lb by the end of 1997. The A450m mine started up last October.

Mr Morgan pointed out that Mount Keith's nickel reserves could sustain a much higher level of output than the present one.

Before these announcements, the Brook Hunt consultancy group, already had identified nickel projects under consideration that would add 1.345bn lb of new annual capacity. This was more than all the nickel mined in 1994, some 1,320m lb.

Among the big potential projects is one at Voisey Bay in Canada, owned by Diamond Fields Resources and in which most of the major nickel producers are showing keen interest. Mr Nick Hatch, analyst at Ord Minnett, a stockbroking affiliate of the Jardine Fleming group, says "the sheer scale of the PT Inco potential expenditure makes one wonder whether this precludes any Inco involvement in Voisey Bay. Or perhaps Inco is trying to tell Diamond Fields that there are other fish in the sea and that the company should not get too greedy over the entry price to Voisey Bay".

● Finland's Ministry of Trade and Industry has extended from the end of May to July 31 the deadline for mining companies to submit tenders for the Keivitsa nickel deposits, 40km north of Sodankylä in Lapland. Falconbridge and Inco of Canada and Outokumpu of Finland all pre-qualified for the bidding process and a ministry official said they intend to bid. He said the tenders were taking longer to prepare than expected but evaluation should be completed in a few months and a decision would be made by the end of the European summer.

Ivory Coast aims to attract mining investors

The Ivory Coast is revamping its 30-year old mining code to attract foreign and national investors, reports Rueters from Abidjan. It intends to offer financial incentives and make it easier to do business.

The aim, according to a draft code before parliament, is to make mining of gold, diamonds and other minerals as important to the economy as its traditional strength, agriculture.

But it also writes in various safeguards to protect national interests, such as ensuring a share in any extra profits from sudden jump in world mineral prices.

"Our mining sector needs to become as attractive as possible for national and international mining investors so that in the medium term this sector will back up agriculture and become the second pillar of the Ivorian economy," says a government statement presented to parliament this week. The paper, signed by Mines and Energy Minister Lamine Fadika and Finance Minister N'Goran Niamien, presented 24 proposed changes to the current code, which was adopted in 1964.

The government has an overwhelming majority in parliament so the amendments are almost certain to pass.

The main proposals include speeding up processing of permit applications to one or two months from the present four to six, making exploration more flexible and guaranteeing an exploitation licence to firms finding deposits.

"This was introduced so that mining enterprises investing large sums in the exploration phase would be assured they could develop and exploit deposits they discover," the paper says.

It suggests limiting exploration permits to a maximum of seven years validity, as this is widely seen as ample time to find any deposits. The permits would run initially for three years in and then be renewable twice for two years a time.

The present law says exploration permits must specify the mineral being sought but the proposed code would allow any mineral found to be exploited without applying for a separate permit.

'Fair trade' banana quota campaign planned in EU

By Geoff Tansey

A public campaign to support a fair trade banana quota in the European Union is being planned for the autumn by organisations from 10 European Countries.

"The key objective is a preferential fair trade quota with minimum labour and environmental standards attached" says Mr Alistair Smith, international co-ordinator of the UK-based organisation Farmers' Link. "There is nothing WTO [World Trade Organisation] illegal about this," he says.

Bananas are the fifth most important food commodity in world trade after cereals, sugar, coffee and cocoa, with a trade value of $7.5bn in 1993, according to a new, 28 page campaigners' guide to the banana trade produced by Farmers' Link.

Over 3.5m tonnes of bananas were imported into the EU in 1993, according to the report. About 62 per cent came from the "dollar" producers of Latin America with trade dominated by major US companies; 21 per cent came from the Africa, Caribbean and Pacific countries that have special trade agreements with the EU through the Lomé Convention; and the remaining 17 per cent were produced by EU members and their overseas territories such as the Canary Islands, Martinique and Guadeloupe.

The campaigners fear the existing, somewhat complex, arrangements that govern EU banana imports might be threatened by a clash between the free trade principles agreed in the Uruguay round Gatt agreement, which underpin the operations of the World Trade Organisation, and obligations under the Lomé Convention to the ACP countries.

They are also concerned about labour conditions in the producing countries and harmful environmental effects of current production methods. These, the report argues, cause not only individual suffering but also affect the social and economic fabric of many producer countries.

It quotes studies from Heredia State University in Costa Rica, which allege that banana production along the Atlantic coast has caused "deforestation, water pollution, the transformation of peasant farmers into agricultural labourers, the creation of all male villages, prostitution, alcoholism, drug abuse and family disintegration".

The report suggests that sustainable banana production might require reduced chemical usage with some biological control of nematodes, an end to large scale mono-cropping and production on steep hillsides or the edge of water courses, more co-operative production and marketing and a respect for the International Labour Organisation conventions on independent trade unions.

In the UK, Farmers' Link has set up a Banana Action Fund to help the Windward Islands Farmers' Association and the Costa Rica-based Co-ordination of Banana Plantation Workers Unions with communications projects with farmers and plantation workers.

The report also recognises that consumer education would be needed to effect any change as consumers prefer a spotless, yellow fruit, of uniform taste and shape, available cheaply all the year round. This, it argues, means "an industrial pattern of organisation reaches right into the midst of non-industrial countries to produce food in a way which (it is hoped) no industrial country would tolerate in its own countryside".

Just Green Bananas! UK Campaigners' Guide to the Banana Trade: price £1.50 plus 20 per cent p&p from Farmers' Link, 38-40 Exchange Street, Norwich, Norfolk, NR2 1AX. Tel: 01603 765670 Fax 01603 761645.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1812.5-13.5	1834.5-35.0
Previous	1811-12	1831-32
High/low	1807/1805	1844/1828
AM Official	1807-8	1829-29.5
Kerb close		1844-5
Open int.	193,039	
Total daily turnover	56,394	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1670-80	1680-90
Previous	1645-55	1660-70
High/low		1705/1680
AM Official	1660-65	1671-73
Kerb close		1690-700
Open int.	2,611	
Total daily turnover	403	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	606-7	618-19
Previous	606.5-607	619-19.5
High/low	606.5	620/615
AM Official	606.5-607	618-18.5
Kerb close		620-1
Open int.	30,540	
Total daily turnover	5,792	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	7450-60	7615-20
Previous	7530-40	7685-70
High/low	7520/7510	7665/7605
AM Official	7515-20	7640-50
Kerb close		7650-60
Open int.	42,665	
Total daily turnover	14,569	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6065-75	6000-10
Previous	6055-65	5990-6000
High/low		6040/5970
AM Official	6058-60	5990-95
Kerb close		6035-45
Open int.	17,942	
Total daily turnover	3,726	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1020.5-21.5	1046-47
Previous	1025.5-26.5	1051-52
High/low	1020.5	1051/1044
AM Official	1020.5-21.0	1046-47
Kerb close		1049-50
Open int.	83,330	
Total daily turnover	21,432	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2851-52	2833-34
Previous	2853-54	2837-39
High/low		2843/2827
AM Official	2849-51	2830-32
Kerb close		1841-2
Open int.	234,183	
Total daily turnover	60,829	

■ LME AM Official £/$ rate: 1.6068

LME Closing £/$ rate: 1.5800

Spot:1.5870 3 mths:1.5849 6 mths:1.5815 9 mths:1.5760

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	Low	Open int	Vol
Jun	132.40	+1.20	132.80	131.50	1,519	321
Jul	131.00	+0.50	131.85	130.10	24,849	4,580
Aug	129.50	+0.25	-	-	891	22
Sep	128.30	+0.40	129.00	127.30	7,356	547
Oct	127.00	+0.45	128.60	128.40	546	21
Total					42,941	5,676

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	384.00-384.30		
Opening	383.90-384.20		
Morning fix	384.25	239.274	436.196
Afternoon fix	384.30	241.987	449.477
Day's High	384.50-384.80		
Day's Low	383.10-383.40		
Previous close	384.70-385.10		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	5.18	6 months	5.02
2 months	5.12	12 months	4.83
3 months	5.11		

Silver Fix	p/troy oz.	US cts equiv.
Spot	329.80	529.50
3 months	334.45	536.65
6 months	339.60	543.50
1 year	350.45	557.05

Gold Coins	$ price	£ equiv.
Krugerrand	386-389	243-245
Maple Leaf	395.10-397.60	
New Sovereign	90-93	57-59

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Jun	385.1	-0.1	385.8	383.8	16,307	18,145
Aug	387.8	-0.3	388.4	386.5	63,776	32,326
Oct	390.7	-0.3	391.1	390.2	5,550	2,374
Dec	394.0	-0.3	394.6	393.0	19,538	1,967
Feb	397.2	-0.3	-	-	14,805	106
Total					159,458	55,178

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Jul	432.6	-1.6	434.5	431.0	11,273	1,204
Oct	434.5	-1.7	438.0	433.5	6,482	149
Jan	437.5	-1.5	-	-	1,604	81
Apr	440.1	-1.5	-	-	727	1
Jul	442.7	-1.5	-	-	161	115
Total					20,247	1,550

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Jun	159.50	-3.45	162.50	158.25	619	719
Sep	161.40	-3.55	164.85	159.00	5,488	772
Dec	163.15	-3.55	167.00	161.00	399	89
Total					8,506	1,580

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Jun	528.7	+1.6	-	-	4	6
Jul	531.0	+1.5	534.0	521.0	49,395	21,069
Sep	538.5	+1.5	539.0	527.0	14,087	1,499
Dec	544.1	+1.5	547.0	534.0	16,435	884
Jan	546.4	+1.4	-	-	16	-
Mar	551.8	+1.3	552.5	544.5	10,604	79
Total					107,938	23,540

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Jul	18.78	-	18.85	18.68	79,338	35,309
Aug	18.70	-	18.77	18.62	39,379	13,878
Sep	18.63	+0.01	18.70	18.55	28,981	6,129
Oct	18.55	-	18.60	18.50	17,641	2,877
Nov	18.54	+0.06	18.40	18.40	18,335	1,403
Dec	18.40	-0.02	18.44	18.37	23,086	5,957
Total					329,409	78,031

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Jul	17.48	-0.12	17.64	17.43	53,828	21,743
Aug	17.37	-0.04	17.50	17.34	30,814	9,733
Sep	17.25	-0.01	17.37	17.24	15,563	3,634
Oct	17.20	-0.01	17.28	17.20	15,302	1,415
Nov	17.17	+0.03	17.22	17.14	4,545	341
Dec	17.04	-0.02	17.17	17.00	12,243	880
Total					120,480	38,372

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Jun	48.75	+0.19	48.84	48.50	8,006	11,091
Jul	49.15	+0.21	49.60	48.95	32,631	16,906
Aug	49.80	+0.26	49.95	49.35	14,295	4,341
Sep	50.40	+0.36	50.65	50.20	11,514	1,253
Oct	51.30	+0.41	51.45	51.20	5,032	327
Nov	51.80	+0.05	52.30	51.80	5,061	397
Total					115,408	37,896

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jun	156.00	-1.25	158.50	155.75	23,092	8,069
Jul	151.75	-0.75	153.75	151.75	20,006	8,223
Aug	151.75	-0.75	153.25	151.50	10,443	4,310
Sep	153.25	-1.25	154.75	153.25	7,215	2,202
Oct	156.00	-1.25	157.50	156.00	4,235	1,162
Dec	157.75	-1.25	159.00	157.75	3,426	627
Total					82,098	29,800

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
Jul	1.713	-0.005	1.725	1.695	29,329	23,767
Aug	1.790	-0.006	1.795	1.771	20,371	4,810
Sep	1.825	-0.007	1.825	1.810	16,980	3,038
Oct	1.845	-0.009	1.848	1.830	12,747	2,189
Nov	1.910	-0.016	1.925	1.910	7,973	714
Dec	1.990	-0.008	2.000	1.980	14,768	2,298
Total					143,112	40,335

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Jun	63.35	-0.15	63.60	62.60	8,332	18,860
Jul	60.60	+0.09	60.65	60.10	38,503	17,831
Aug	58.50	+0.14	58.60	58.00	13,607	3,595
Sep	57.00	+0.15	57.20	56.70	4,647	953
Oct	55.33	+0.40	-	-	2,680	197
Nov	54.70	+0.58	-	-	2,031	241
Total					72,748	41,788

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	127.75	-2.45	129.00	127.50	1,074	202
Sep	108.30	-1.00	102.50	108.30	580	8
Nov	109.40	-0.75	109.75	109.40	3,088	21
Jan	111.35	-0.85	111.40	111.35	1,475	20
Mar	113.25	-	-	-	535	-
May	115.10	-0.90	115.50	115.00	-	-
Total					6,952	296

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	373/2	-0/2	375/2	370/0	41,095	9,485
Sep	379/0	-0/4	381/4	376/4	14,888	2,609
Dec	391/6	-1/0	394/0	389/0	21,558	3,658
Mar	396/4	-1/4	396/6	393/0	1,508	145
May	379/0	-	-	-	17	-
Jul	351/0	-	352/6	350/0	231	12
Total					79,295	15,907

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	266/0	-0/6	266/6	265/0	135,554	23,316
Sep	271/4	-0/6	272/4	270/2	42,125	6,029
Dec	275/4	-	276/0	273/4	194,741	34,732
Mar	280/6	-	280/6	279/0	20,680	1,219
May	283/0	-	283/0	281/6	4,000	137
Jul	284/4	-	284/4	282/6	10,497	419
Total					213,658	66,460

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	106.15	-0.65	106.25	106.00	176	15
Nov	108.00	-	-	-	690	-
Jan	110.00	-	-	-	318	-
Mar	112.25	-	-	-	106	-
May	114.25	-	-	-	20	-
Total					1,310	15

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	580/6	+1/0	584/4	578/4	56,986	47,082
Aug	586/0	+0/4	589/2	583/4	17,091	3,303
Sep	590/6	+0/6	594/0	589/0	8,584	1,417
Nov	599/4	+0/2	602/4	597/0	49,966	20,200
Jan	607/2	+0/2	610/4	605/0	4,443	596
Mar	614/0	+0/2	616/4	612/0	1,278	130
Total					141,159	73,411

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	25.78	-0.34	26.13	25.72	26,792	9,855
Aug	25.73	-0.35	26.10	25.73	11,199	2,342
Sep	25.67	-0.35	26.03	25.67	8,925	728
Oct	25.67	-0.31	26.05	25.67	5,957	174
Dec	25.66	-0.33	26.02	25.55	17,078	2,677
Jan	25.68	-0.34	26.02	25.61	988	40
Total					72,458	15,973

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	170.2	+1.3	170.5	168.6	40,071	31,747
Aug	171.8	+0.9	172.3	170.7	11,956	5,280
Sep	173.6	+0.8	174.2	172.7	9,162	1,842
Oct	175.3	+0.8	176.1	174.7	9,397	175
Dec	178.8	+1.1	179.5	177.7	15,373	6,513
Jan	179.8	+1.0	180.5	179.0	1,308	198
Total					87,671	45,771

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jun	307.5	-	-	-	-	-
Nov	97.5	-	-	-	-	-
Mar	120.0	-	-	-	-	-
Apr	117.0	-5.8	120.0	116.0	461	98
Total					466	96

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
May	2128	-	-	-	449	-
Jun	1925	-40	1955	1920	642	87
Jul	1820	-22	1830	1815	1,054	41
Oct	1820	-19	1820	1805	1,319	38
Jan	1765	-20	1770	1765	479	17
Apr	1800	-75	1825	1800	631	15
Total					3,926	208

	Close	Prev
BFI	2096	2115

Nuts and Seeds

1994 Crop prices from Kenkko Group; US $ per tonne: Iranian Pistachios 28/30 raws (in shell) naturally opened (round) 3,600 FOT MEP; firm. US almonds (shelled) 23/25 NPSSR 5,300, FAS California; calm; new crop 5,400 FAS California; buyers awaiting final crop estimate. US walnuts (shelled) light halves and pieces 4,600 FAS California, stable. Indian cashews, raw, W320, 5,550 FOT MEP, supply short; W240 6,200 C&F MEP. Turkish hazelnut kernels, 13/15 standard 1s 3,050 C&F MEP prompt; stable; new crop 3,450. Pumpkin seed: Chinese snow white 1,850 C&F MEP for good quality; Russian S/W, long, 2,800 FOB MEP. Sunflower seeds: Kansas (2nd hand) 1994 crop 880 CIF MEP; 1995 crop 900; N Dakota, round, 760; Israeli 1,850; new crop 1,850. Turkish apricots: new crop forecast 1,800 CIF MEP. Brazil nuts 3,200 CIF MEP, calm.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	965	+33	965	934	777	387
Jul	965	+24	968	942	28,838	3,449
Sep	981	+19	982	962	23,156	800
Dec	1001	+18	1001	982	27,066	584
Mar	1022	+18	1022	1003	28,566	600
May	1034	+17	1034	1019	6,421	55
Total					121,908	4,586

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	1362	+35	1365	1312	29,289	3,755
Sep	1381	+31	1382	1338	20,852	1,513
Dec	1418	+33	1420	1373	13,094	159
Mar	1450	+34	1450	1415	8,100	240
May	1465	+25	-	-	5,503	-
Jul	1485	+28	-	-	2,955	100
Total					82,433	6,182

■ COCOA (ICCO) (SDR's/tonne)

May 30	Price	Prev. day
Daily	915.11	916.09

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	2813	+42	2813	2780	112	32
Jul	2813	+2	2860	2800	17,083	1,681
Sep	2783	+7	2820	2780	13,884	774
Nov	2783	+2	2820	2780	2,543	158
Jan	2780	+3	2815	2803	508	100
Mar	2775	-3	2798	2798	422	14
Total					34,554	2,759

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	153.85	-0.20	156.30	151.50	17,853	3,797
Sep	156.80	-0.35	159.25	154.80	10,395	1,079
Dec	158.30	-1.25	161.50	158.25	5,104	108
Mar	161.30	-0.70	162.75	160.25	2,214	39
May	162.35	-0.70	-	-	166	1
Jul	163.35	-0.70	-	-	26	-
Total					35,786	5,024

■ COFFEE (ICO) (US cents/pound)

May 30	Price	Prev. day
Comp. daily	145.48	-
15 day average	154.28	-

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	12.97	-	-	-	2,380	-
Oct	10.60	-	-	-	-	-
Jan	13.25	-	-	-	-	-
Mar	10.10	-1.93	-	-	2,000	-
Total					4,380	-

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	350.3	+11.2	351.0	340.8	11,890	2,274
Oct	301.0	+6.2	303.0	295.0	5,849	1,332
Dec	288.7	+3.7	290.5	285.7	2,664	34
Mar	287.0	+4.0	288.7	284.0	2,164	377
May	288.0	+4.0	289.0	285.0	331	43
Aug	289.2	+4.0	290.4	289.2	179	20
Total					23,002	4,080

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	11.72	+0.50	11.79	11.38	51,939	18,062
Oct	10.29	+0.22	10.39	10.18	37,143	7,498
Mar	10.07	+0.15	10.15	10.00	22,136	2,526
May	10.07	+0.15	10.17	10.02	7,014	460
Jul	10.05	+0.25	10.07	9.92	8,002	142
Oct	9.91	+0.25	9.89	9.76	1,822	214
Total					128,289	28,940

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	109.75	-3.00	112.65	109.75	18,026	3,710
Oct	83.85	-3.00	85.90	83.85	9,810	1,070
Dec	77.83	-2.56	78.90	77.20	32,853	5,355
Mar	78.63	-2.52	80.85	78.25	9,979	1,019
May	79.25	-2.15	81.50	79.20	3,516	172
Jul	79.73	-1.77	81.80	79.55	1,486	66
Total					74,290	11,462

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	108.70	-1.05	109.90	108.45	13,372	1,354
Sep	112.60	-1.10	114.00	112.60	8,031	463
Nov	110.25	+0.20	111.00	110.00	2,163	18
Jan	111.70	-0.75	111.70	110.60	2,585	69
Mar	113.95	+1.00	113.95	113.00	609	11
May	116.00	+1.05	116.00	116.00	433	-
Total					27,457	2,034

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

May 31	May 30	month ago	year ago
2295.4	2302.3	2322.7	1974.3

■ CRB Futures (Base: 1967=100)

May 30	May 26	month ago	year ago
232.78	235.37	-	236.81

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jun	61.025	-0.325	61.200	60.725	20,984	7,726
Aug	59.700	-0.075	59.900	59.425	17,300	6,282
Oct	62.050	-0.025	62.250	61.725	13,217	1,508
Dec	63.250	-0.050	63.350	62.900	5,050	508
Feb	63.950	-	64.000	63.650	3,540	153
Apr	64.850	-0.050	64.875	64.500	1,828	99
Total					61,979	16,289

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jun	43.925	+0.575	44.225	43.400	5,229	1,489
Aug	43.975	+0.625	44.100	43.250	8,394	1,571
Oct	41.675	+0.525	41.775	41.200	6,048	1,372
Dec	42.750	+0.325	42.800	42.300	4,929	207
Feb	43.425	+0.050	43.850	43.350	1,754	76
Apr	42.950	+0.300	43.000	42.750	832	77
Total					25,774	4,811

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	36.875	-0.125	37.400	36.500	4,464	1,389
Aug	35.800	-0.425	36.600	35.600	2,445	678
Feb	49.825	-0.525	50.700	49.850	278	13
Mar	48.850	-0.650	-	48.850	32	3
May	49.800	-	50.700	-	3	2
Total					7,245	2,083

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Sep	Dec	Sep	Dec
1700	184	204	44	80
1800	124	152	83	124
1900	79	110	134	180
■ COPPER (Grade A) LME	Sep	Dec	Sep	Dec
2600	-	190	-	51
2700	159	131	36	88
2800	98	88	73	139
■ COFFEE LCE	Jul	Sep	Jul	Sep
3050	36	158	273	425
3100	26	146	315	463
3150	22	135	359	502
■ COCOA LCE	Sep	Dec	Sep	Dec
950	63	95	32	44
975	50	81	44	55
1000	39	65	58	67
■ BRENT CRUDE IPE	Jul	Oct	Jul	Oct
1750	32	63	27	89
1800	17	38	58	121
1850	4	25	101	154

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Jul)

		+or-
Dubai	$16.89-6.81z	+0.380
Brent Blend (dated)	$17.47-7.49	+0.110
Brent Blend (Jul)	$17.47-7.49z	+0.110
W.T.I. (1pm est)	$18.62-8.64z	-0.040

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$100-202	-2
Gas Oil	$159-160	-1.5
Heavy Fuel Oil	$97-98	-3.5
Naphtha	$191-193	+3.5
Jet fuel	$172-175	-1.5
Diesel	$180-181	-1.5

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

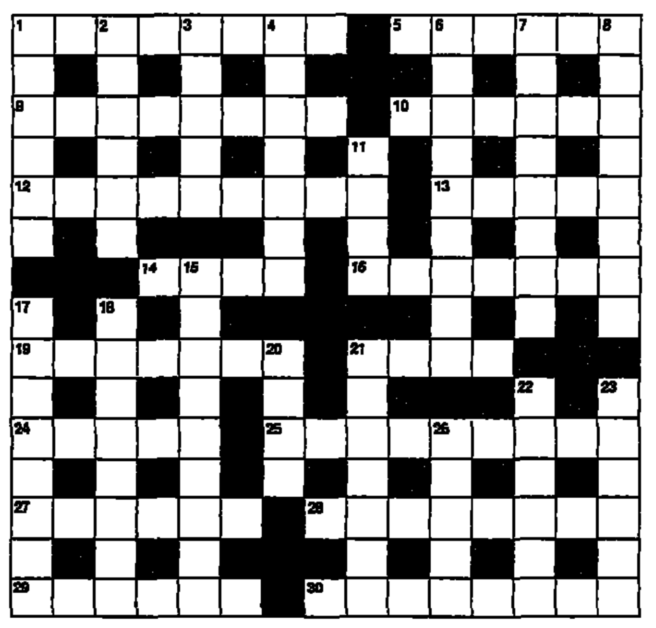
Gold (per troy oz)♣	$384.15	-0.75
Silver (per troy oz)♣	530.50c	-1.00
Platinum (per troy oz.)	$434.10	-2.40
Palladium (per troy oz.)	$162.00	-0.75
Copper (US prod.)	Unq.	
Lead (US prod.)	41.75c	
Tin (Kuala Lumpur)	14.53m	
Tin (New York)	293.50c	+2.00
Cattle (live weight)†	122.50p	+1.46*
Sheep (live weight)†♣	115.16p	+0.63*
Pigs (live weight)†	95.09p	-1.30*
Lon. day sugar (raw)	$340.0	-2.9
Lon. day sugar (wte)	$386.0	+4.8
Tate & Lyle export	£325.0	-3.0
Barley (Eng. feed)	Unq.	
Maize (US No3 Yellow)	£147.0	
Wheat (US Dark North)	Unq.	
Rubber (Jul)♥	110.00p	
Rubber (Aug)♥	110.00p	
Rubber (KL RSS No1)	406.5m	
Coconut Oil (Phil)§	$635.0y	
Palm Oil (Malay.)§	$630.0	-10.0
Copra (Phil)§	412.0u	-7.0
Soyabeans (US)	157.0w	-7.0
Cotton Outlook'A' Index	109.85	-1.40
Wooltops (64s Super)	525p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. u May/Jun w Jun. z Jul. y Jun/Jul. q May ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week † Prices are for previous day.

JOTTER PAD

CROSSWORD

No.8,776 Set by CINCINNUS



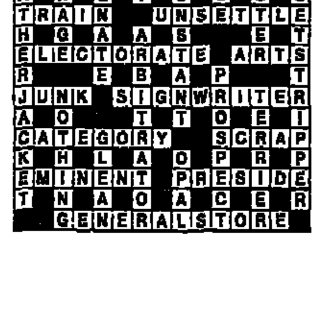
ACROSS

1 Big woman as rough as gent. is (8)
5 Take mushroom in play (6)
9 He retreats with more courage without an onlooker (8)
10 U-boat first sighted in Scandinavian river (6)
12 Queen turned to a parcel? (9)
13 Something worth having when fixed (5)
14 A cook's endless pain (4)
16 It's a disappointment, being allowed soft feathers (3-4)
19 A learner with a gun makes you frightened (7)
21 Apulian city singer lacking tone (4)
24 Imagine mother's re-entry (5)
25 Places and composition? (9)
27 Bird taking part in viva voce test (6)
28 Toiling with a new engraving process (8)
29 Substitute provided by bankers at Zurich (6)
30 Killer of 12 holed out in a plant associated with the dead (8)

DOWN

1 Return for support after game (2,4)
2 Winged fruit may make you shake your head (3-3)
3 Flower, large one, that's first raised outside (5)
4 Feminine articles put in case (7)
6 Document granting privileges, taking account of personality? (9)
7 Paint about fifty birds with no-one around (8)
8 Dealing with the provision of free entertainment (8)
11 Orb or not? Nothing but orb (4)
15 Cheese – puss has swallowed part (9)
17 Male bird going after male plant (8)
18 Officer on ship with many sailors (8)
20 Surrealist upsetting one youngster (4)
21 Graduate with novel by Zola bearing fruit (7)
22 Given a lodge for correction? (6)
23 Sort of blue soil (6)
26 Cut with small whip (5)

Solution 8,775



Treasuries lower on mixed economic data

By Lisa Bransten in New York and Graham Bowley in London

US Treasury prices see-sawed through the morning yesterday as traders reacted to mixed economic data and activity in the currency market.

By midday prices were lower across the maturity spectrum with the benchmark 30-year Treasury bond price down $\frac{5}{32}$ at 112 to yield 6.684 per cent. At the short end, the two-year note fell $\frac{1}{16}$ at $100\frac{3}{32}$ to yield 5.889 per cent.

Bond prices fell in overnight trading as investors took some profits, after the rally on Tuesday that saw the long-bond yield fall to 6.66 per cent on the heels of a more than 1¼ point price increase.

In early morning New York trading, bonds added to declines posted in Europe. This followed new figures on first quarter gross domestic product which showed the economy to be stronger than many believed.

Although the overall GDP growth rate was revised down to 2.7 per cent, from the estimate of 2.8 per cent released in April, the figures showed a substantial downward revision to the business inventories component.

GOVERNMENT BONDS

Shortly after the release of the GDP figures, however, bonds got a boost as the dollar rose against the Japanese yen and the D-Mark in reaction to intervention on the currency markets by the Fed and central banks from other G10 nations.

But that increase proved short-lived as a new piece of economic data spurred another round of selling. A report from the Purchasing Management Association of Chicago put business activity at 53.5 per cent in May, down from 57.6 per cent in April but not as weak as economists had expected.

■ European markets followed the US lower yesterday after central banks intervened on the foreign exchanges to lift the dollar.

The intervention fuelled speculation that the Bundesbank, the German central bank, might lower its key interest rates at today's council meeting. The consensus among dealers, however, seems to be that the Bundesbank will leave rates unchanged.

Most European markets made cautious gains in quiet trading during the morning session, but were knocked backwards in the afternoon, rattled by the drama on the currency markets and by US data showing an upwards revision to final sales figures in first-quarter US GDP data.

The next focus of attention for traders is US non-farm payroll data for May, due on Friday. April's figure was particularly weak and most analysts expect a strong bounce back. "The only question is how strong that bounce back will be," said Mr Huw Roberts at NatWest Markets in London.

■ German government bond prices declined, as investors were unnerved by the foreign currency intervention and by the drop in US Treasuries.

The dollar's relative strength against the D-Mark heightened speculation that it might end the recent large investment flows into the German market.

Mr Stefan Schneider, at S.G. Warburg in Frankfurt, said that recent figures show that foreign investors bought DM16.7bn of German bonds in March and that the early indication was that this inflow of foreign money had continued in April. "If the dollar recovery is going to last, many investors may want to cash in their foreign exchange gains and we could then see quite a visible sell-off in the bund market," said Mr Schneider.

■ Anxiety over the UK authorities' proposals to change the tax treatment of UK government bonds continued to paralyse the gilts market, which followed bunds lower in thin turnover.

"Until there is greater clarity about the tax changes they are a great disincentive against investors increasing their gilt holdings," said Mr Andrew Roberts at UBS in London.

A lack of real economy data meant that the gilts market was likely to remain subdued over the coming days, traders said.

■ The French government bond market was quiet with the 10-year yield spread steady at around 81 basis points. Uncertainty over the new government's economic policies continued to grip the market.

Italian government bonds began the day strongly as they continued to react favourably to last week's interest rate increase, and were supported by anti-inflationary comments from Mr Antonio Fazio, governor of the Bank of Italy. But the market gave up its early gains in afternoon trading when it followed US Treasuries lower.

Spanish government bonds fell back, troubled by an auction of five- and 15-year bonds.

Big response to Portugal Telecom offer

By Peter Wise in Lisbon

The global offer of Portugal Telecom is assured of a resounding success when it is concluded on the Lisbon stock exchange today, with demand for shares expected to be 4.3 times higher than the number on offer.

Mr Joaquim Ferreira do Amaral, minister for telecommunications, said the strong international response to the offer should provide encouragement for other European countries which are preparing to privatise telecommunications operators.

Bankers involved in the placement said Portugal was almost certain to take up an option to expand the offer from 26.3 per cent of Portugal Telecom to 28 per cent. This would increase the sale from 50m to 53.2m of the company's 190m shares.

The government will decide on the increase at a meeting today that will also fix the final price of the shares within the predetermined range of Es2,500 to Es3,100. Dealers said a price of about Es2,700 a share would ensure a rally when secondary market trading begins on Friday.

Portugal Telecom was also assured control of 100 per cent of Companhia Rádio de Marconi, Portugal's intercontinental telecommunications company, Mr Ferreira do Amaral said yesterday. Private shareholders, who own 49.6 per cent of Marconi, were invited to swap their shares, valued at Es6,500, for Portugal Telecom shares.

He said demand for the offer showed international investors approved the restructuring Portugal's telecommunications sector over the past four years. This was more important than the financial success of the operation, which is expected to raise about Es130bn ($886m).

Approval for privatisation of a further tranche of Portugal Telecom was likely soon, after Portugal's general election in October. A law limiting private ownership to 49 per cent of the company would almost certainly be repealed, the minister said.

A government official said foreign demand for Portugal Telecom was dominated by institutional investors, particularly UK and US funds. No foreign telecommunications company had acquired a significant holding.

IBJ embraces "selling group" for Eurofima deal

By Richard Lapper

IBJ became the latest bank to sell eurobonds through a specially constituted "selling group" rather than through a formal underwriting syndicate of banks, embracing a sales technique pioneered by Morgan Stanley.

IBJ is bringing a DM200m five-year issue for Eurofima, the European railway equipment agency, through a group of nine banks – ABN Amro, Paribas, BZW, Chase Manhattan, DKB, Fuji, Merrill Lynch, Nomura and Salomon Brothers. Participating banks are paid a sales commission for each bond they sell.

Syndicate managers at IBJ said the sales structure was more efficient, made it easier to control the issue and added to credibility. "This type of structure tends to favour those who feel they can bring something to the party," said managers.

IBJ played down fears that there has been an oversupply of eurobond paper in the five-year D-Mark sector recently, and said that the yield on the issue tightened marginally from a launch spread of 22 basis points over the Bund. Unusually Eurofima will swap the proceeds of the issue – it is understood into floating rate Swedish Krona – taking advantage of favourable swap opportunities in the sector. Swap spreads in the five-year area of the German yield curve have widened out by some 10 basis points over the past week or so, partially reflecting the shortage of five-year issuance by the German authorities. In addition syndicate managers pointed to indicators of demand from Japanese and Asian investors for the paper.

INTERNATIONAL BONDS

Arbitrage opportunities are also understood to have been a factor in the decision by France's Compagnie Bancaire to issue five-year D-Marks through Bayerische Landesbank. It is understood that the proceeds were swapped into floating rate French francs.

German swap spreads - quoted at 45 basis points over the Bobl – yesterday offered the "best arbitrage of the year in the three core markets, mirrored only by those in dollars at the beginning of the year," said IBJ.

Elsewhere, highlights included a DM1bn 10-year issue by Bayerische Landesbank and Morgan Stanley for KfW, the German state development agency. Morgan Stanley said the yield spread on the deal narrowed slightly, from a launch spread of 19 basis points over the bund, and was trading at 18 offer 19 bid in the late afternoon. It was generally recognised that there was substantial institutional demand, especially from Japanese investors, for 10-year D-Mark paper. A number of traders said investors had engaged in curve extension trades.

Royal Bank of Scotland became the latest issuer to tap the sterling floating rate market, raising £125m through a 10-year issue lead by UBS. The issue, the bank's second venture into the euromarkets this year, will be used to strengthen its tier two capital.

J. P. Morgan combined with two Italian banks – Banca Comerciale Italiana and Banca Nazionale del Lavoro – to launch a L200bn issue for the World Bank. Targeted at Italian retail investors, the issue was priced to yield 58 basis points under Libor and, according to Morgan, tightened in after trading to 71 basis points under.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Kymmene Finance(a)‡	50	(a1)	99.78R	Jun.2000	undisd.	-	Chemical Investment Bank
YEN							
Norddeutsche Landesbank(b)	*10bn*	*2.24*	*100.20*	*Dec.1998*	*0.20*	-	*Morgan Stanley & Co.Intl.*
STERLING							
Royal Bank of Scotland(c)‡	125	(c1)	99.80R	Jun.2005	0.40R	-	UBS
D-MARKS							
KfW International Finance	1bn	6.75	99.745R	Jun.2005	0.325R	+19(6¾%-05)	Bayer.LB /Morgan Stanley
Compagnie Bancaire	300	6.00	99.62R	Jun.2000	0.25R	+42(5¼%-00)	Bayerische Landesbank
Eurofima	200	5.75	99.453	Jun.2000	0.20	+22(5½%-00)	IBJ (Deutschland)
SWISS FRANCS							
Japan Finance for Muni. Ents.	150	5.00	103.125	Jun.2005	2.75	-	Swiss Bank Corp.
ITALIAN LIRE							
World Bank	200bn	10.50	100.89	Jul.1997	1.00	-	BCI/ BNL/ JP Morgan

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ‡ Floating-rate note. R: fixed re-offer price; fees shown at re-offer level. a) Issue launched 22/5/95 was increased to $150m. Callable on coupon dates from Jun.98 at par. a1) 3-mth Libor +37½bp. b) Short 1st coupon. c) Callable in Jun.00 at par. c1) 3-mth Libor +37½bp.

Romania makes a return

By Graham Bowley

Romania yesterday marked its return to international capital markets with the signing of a $150m one-year syndicated loan for the National Bank of Romania.

The loan, on which the bank will pay a group of 32 international banks a margin of 275 basis points over the London interbank offered rate, was increased from $75m after being heavily oversubscribed.

The proceeds from the loan, which was arranged by Citibank, will improve the country's foreign currency reserves.

Romania is seeking a foreign currency debt rating and is expected to turn once again to the syndicated loans market to improve pricing before making its debut on the eurobond market.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		7.500	07/05	90.4600	-0.680	8.95	8.97	9.63
Austria		7.000	05/05	100.5800	+0.230	6.92	7.01	7.39
Belgium		6.500	03/05	94.0500	+0.140	7.37	7.38	7.92
Canada *		9.000	12/04	105.5500	+0.350	8.15	8.13	8.63
Denmark		7.000	12/04	92.7200	-0.180	8.12	8.06	8.74
France	BTAN	7.750	04/00	102.8700	-	7.00	6.99	7.47
	OAT	7.500	04/05	100.3000	+0.040	7.45	7.41	7.82
Germany Bund		6.875	05/05	101.5900	-0.170	6.65	6.71	7.08
Ireland		6.250	10/04	86.6500	+0.050	8.35	8.35	8.83
Italy		8.500	01/05	86.1500	-0.090	11.97†	11.84	13.03
Japan	No 119	4.800	06/99	110.1520	+0.200	2.08	2.52	2.61
	No 174	4.600	09/04	113.8550	+0.750	2.73	3.08	3.42
Netherlands		7.750	03/05	107.1000	-0.140	6.73	6.79	7.18
Portugal		11.875	02/05	99.8500	-0.050	11.88	11.79	12.30
Spain		10.000	02/05	90.9400	-0.540	11.56	11.21	12.07
Sweden		6.000	02/05	73.2010	+0.950	10.54	10.70	11.57
UK Gilts		6.000	08/99	94-04	-1/32	7.67	7.62	8.18
		8.500	12/05	104-03	-5/32	7.92	7.86	8.35
		9.000	10/08	108-15	-3/32	7.96	7.93	8.35
US Treasury *		6.500	05/05	101-10	+4/32	6.32	6.43	7.02
		7.625	02/25	112-00	+5/32	6.69	6.78	7.35
ECU *(French Govt)*		8.000	04/04	89.0100	+0.020	7.75	7.77	8.17

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime		Treasury Bills and Bond Yields			
		One month	5.59	Two year	5.91
Prime rate	9	Two month	6.13	Three year	5.98
Broker loan rate	6½	Three month	5.83	Five year	6.08
Fed.funds	6⅛	Six month	5.86	10-year	6.35
Fed.funds at intervention..	-	One year	5.83	30-year	6.68

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	116.00	115.74	-	116.18	115.58	122,596	115,396
Sep	115.66	115.38	-0.02	115.74	115.34	10,443	39,197
Dec	115.44	115.18	-	115.50	115.26	125	2,017

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Jul	Calls Sep	Calls Dec	Puts Jul	Puts Sep	Puts Dec
114	1.67	2.18	-	0.25	0.80	-
115	0.98	1.53	-	0.54	1.18	-
116	0.43	1.03	1.46	1.00	1.58	-
117	0.16	0.62	-	1.75	-	-
118	0.07	0.35	-	-	-	-

Est. vol. total, Calls 13,432 Puts 13,922 . Previous day's open int., Calls 128,172 Puts 117,845.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.79	95.20	-0.24	95.79	95.05	164857	125171
Sep	95.22	94.70	-0.22	95.24	94.58	32063	58541

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Jul	Calls Aug	Calls Sep	Calls Dec	Puts Jul	Puts Aug	Puts Sep	Puts Dec
9450	0.62	0.87	1.03	1.12	0.42	0.67	0.83	1.47
9500	0.37	0.62	0.78	0.91	0.67	0.92	1.08	1.76
9550	0.20	0.42	0.58	0.73	1.00	1.22	1.38	2.08

Est. vol. total, Calls 25836 Puts 8710. Previous day's open int., Calls 107426 Puts 86080

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	100.65	100.17	-0.17	101.14	99.91	43438	33489
Sep	100.15	99.75	-0.13	100.67	99.48	6224	7282

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
9950	2.20	2.69	1.95	3.44
10000	1.93	2.47	2.18	3.72
10050	1.68	2.27	2.43	4.02

Est. vol. total, Calls 2692 Puts 1795. Previous day's open int., Calls 15259 Puts 10866

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	86.30	85.87	-0.50	86.43	85.82	74,548	44,465
Sep	86.20	85.80	-0.60	86.20	85.25	326	1,508

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	107-31	107-16	-0-05	108-09	107-11	48174	52593
Sep	107-17	107-02	-0-06	107-28	106-28	18738	90852

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Jul	Calls Aug	Calls Sep	Calls Dec	Puts Jul	Puts Aug	Puts Sep	Puts Dec
107	0-59	1-22	1-42	2-06	0-55	1-18	1-38	2-32
108	0-31	0-56	1-12	1-45	1-27	1-52	2-06	3-05
109	0-15	0-35	0-52	1-21	2-11	2-31	2-48	3-45

Est. vol. total, Calls 2066 Puts 2557. Previous day's open int., Calls 25475 Puts 27582

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	86.00	86.04	+0.12	86.38	86.00	1,994	8,013
Sep	85.86	85.88	+0.12	86.22	85.86	184	331

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	113-00	112-27	-0-03	113-11	112-22	202,321	262,603
Sep	112-21	112-16	-0-02	112-31	112-11	28,404	106,052
Dec	112-10	112-02	-0-01	112-15	111-31	1,892	9,652

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Jun	121.25			121.54	120.60	673	0
Sep	120.20			120.49	119.30	5066	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Wed May 31	Day's change %	Tue May 30	Accrued interest	xd adj. ytd		Low coupon yield May 31	Low May 30	Low Yr. ago	Medium coupon yield May 31	Medium May 30	Medium Yr. ago	High coupon yield May 31	High May 30	High Yr. ago
1 Up to 5 years (23)	121.77	+0.02	121.74	2.20	4.27	5 yrs	7.74	7.71	8.49	7.75	7.73	8.70	7.81	7.80	8.81
2 5-15 years (21)	145.65	-0.18	145.91	1.92	5.44	15 yrs	7.96	7.93	8.79	7.97	7.94	8.92	8.10	8.07	9.24
3 Over 15 years (9)	165.01	-0.26	165.43	2.93	5.03	20 yrs	7.96	7.93	8.75	7.98	7.94	8.92	8.07	8.05	9.05
4 Irredeemables (6)	188.19	-0.14	188.45	1.22	6.12	Irred.†	7.99	7.98	8.86						
5 All stocks (59)	141.93	-0.13	142.11	2.21	4.99										

Index-linked							Inflation 5% May 31	May 30	Yr. ago	Inflation 10% May 31	May 30	Yr. ago
6 Up to 5 years (2)	195.31	-0.04	195.38	0.84	2.57	Up to 5 yrs	3.16	3.12	3.94	1.81	1.57	2.95
7 Over 5 years (11)	186.48	-0.24	186.93	1.25	1.73	Over 5 yrs	3.56	3.54	3.93	3.37	3.35	3.74
8 All stocks (13)	186.52	-0.22	186.93	1.21	1.81							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	May 31	May 30	May 26	May 25	May 24	Yr ago	High*	Low*
Govt. Secs. (UK)	94.31	94.39	94.22	94.60	94.57	91.04	94.60	90.22
Fixed Interest	113.66	113.59	113.77	113.88	113.10	109.33	113.88	106.77

* for 1995. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94) , low 50.53 (3/1/75) . Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	May 30	May 26	May 25	May 24	May 23
Gilt Edged bargains	109.3	104.9	228.1	90.9	102.8
5-day average	127.2	121.1	116.0	87.2	84.3

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on May 31

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	97¾	98	+⅛	6.87
African Dev Bk 7⅝ 23	500	98⅛	99⅝	+⅛	7.45
Alberta Province 7⅝ 98	1000	103¾	104	+⅛	6.36
Austria 8½ 00	400	108¼	108½	+¼	6.38
Baden-Wuertt L-Fin 8⅛ 00	*1000*	*106½*	*106¾*	+¼	*6.45*
Bank Ned Gemeenten 7 99	1000	102¾	103	+⅛	6.23
[illegible]					
United Kingdom 7¼ 97	5500	104⅛	104½		5.13
Volkswagen Intl Fin 7 03	1000	99⅞	100¼	+¼	7.02
World Bank 0 15	2000	23⅞	24½	-⅛	7.22
World Bank 5⅞ 03	3000	94½	94⅝	+⅛	6.74
World Bank 8¾ 00	1250	113	113¾	+¼	5.63
SWISS FRANC STRAIGHTS					
[illegible]					
Abbey Natl Treasury 8 03 £	1000	97	97¼		8.53
Alliance Leics 11⅛ 97 £	100	106⅛	106½		7.83
British Land 8⅞ 23 £	150	93½	93⅞	-⅛	9.77
Denmark 6¾ 98 £	800	96⅞	97	+⅛	7.87
EIB 8 03 £	1000	99½	99⅝		8.28
Halifax 10⅞ 97 £	100	104¼	104⅝		7.66
[illegible]					

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. [illegible] CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. [illegible]

UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or -	1995 High	1995 Low
Shorts" (Lives up to Five Years)							
Exch 10¼pc 1995		10.19	6.41	100⅝	-1/16	101⅞	100⅝
Treas 12¼pc 1995‡‡		12.41	6.48	102¾	-1/32	104⅞	102¾
14pc 1996		13.38	6.58	104⅝		106⅝	104⅝
15¼pc 1996‡‡		14.17	6.57	107⅝		109⅝	107½
Exch 13¼pc 1996‡‡		12.50	6.69	105⅞		107¼	105⅞
[illegible]							
Treas 6¾pc 2004‡‡		7.34	7.96	92	-⅛	92⅞	86⅞
Conv 9½pc 2005		8.61	7.97	110⅜	-⅛	110⅞	103⅝
Treas 12½pc 2003-5		9.84	8.03	127	-⅛	127⅝	119⅞
Treas 8½pc 2005‡‡		8.17	7.98	104⅛xd	-⅛	104⅞	97⅝
7¾pc 2006‡‡		7.88	7.98	98⅞	-⅛	99⅞	92⅞
[illegible]							
Index-Linked	(b)						
2pc '96	(67.9)	1.22	3.21	210⅜	-⅛	210⅞	201⅛
4⅝pc '98‡‡	(135.6)	2.08	3.06	111⅞	-⅛	111⅞	108⅜
2½pc '01	(78.3)	2.93	3.39	175⅞	-⅛	176⅜	165⅞
2½pc '03	(78.8)	3.10	3.48	171⅞	-⅛	172⅞	161⅞
4⅜pc '04‡‡	(135.6)	3.11	3.45	114⅞	-⅛	115⅛	108⅞
[illegible]							

Other Fixed Interest

[illegible]

● "Tax" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock.

CURRENCIES AND MONEY

MARKETS REPORT

Central bank support catches market napping

Currency speculators were left licking their wounds yesterday as an unexpected round of central bank support for the dollar caught the market napping, *writes Philip Gawith.*

Unlike other efforts to support the dollar over the past year, this one came as a total surprise, and the dollar jumped sharply as traders rushed to cover short positions.

The dollar finished in London at DM1.413 and Y84.645, nearly three pfennigs and two yen up on the levels where the central banks first started buying dollars.

The Federal Reserve was joined by the Bundesbank, Bank of Japan, Bank of Canada and nine European central banks.

With most European central banks selling D-Marks to support the dollar, the German currency lost ground across the board. Against the French franc it closed at FFr3.519, from FFr3.528.

Sterling finished the day slightly firmer on a trade-weighted basis with its gains against the D-Mark more than offsetting losses against the dollar. It finished in London at DM2.2447 from DM2.2241, and at $1.5886 from $1.6003.

In Tel Aviv, the Israeli shekel closed the daily tender at 3.005 shekels per dollar against 2.995 on Tuesday amid fears of a long-term devaluation. Earlier, the government had announced various technical changes to the foreign exchange system.

■ The repeated failures of central bank efforts over the past year to arrest the dollar's slide have given intervention a bad name. Yesterday, however, was that rare event - hats off all round to the US treasury.

■ **Pound in New York**

May 31	—Latest—	— Prev. close —
£ spot	1.5875	1.6030
1 mth	1.5872	1.6025
3 mth	1.5855	1.6010
1 yr	1.5710	1.5855

While economists were quick to chorus that the intervention would count for naught if not backed up by suitable policy changes, there was no arguing about the short-term success of the move.

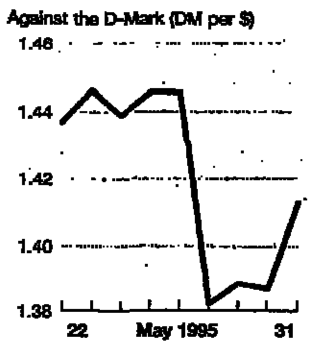
The timing of the intervention would appear to have been more significant than the quantum. Estimates from banks involved in executing Fed orders suggest that the total support effort may have amounted to around $1bn, split equally between the Fed and the other banks.

Reports from New York suggested that the Bank of France might have intervened more heavily, and longer, than the other European banks. Concerns about the commitment of the new French government to a strong franc have seen the currency settle at lower levels in recent weeks.

Notable about the timing was that it came early during New York trading, when the market is likely to be most impressionable. It was also deft in the sense that the Fed intervened just when the market was looking ready to test key technical levels at DM1.38 and Y82.

Dollar

Against the D-Mark (DM per $)



Source: Datastream

Had the dollar fallen below these levels, analysts believe that any remaining positive sentiment in favour of the US currency would have been irretrievably shattered. As it is, the main purpose of the intervention would appear to have been to place a floor under the dollar before the gains of the rally earlier last month were totally dissipated.

The intervention was also conspicuous for being pro-active. Previous efforts have coincided with sharp falls and heavy selling. Although the dollar was creeping towards important support levels, it had been stable since falling sharply last Thursday.

Scepticism about the dollar's recovery prospects remains too deep-seated for yesterday's intervention to have prompted any fundamental re-assessment about the currency's outlook. That said, it was sufficiently different in character and execution from previous efforts to give the market serious pause for thought.

If it testifies to a changed attitude on the part of the administration to the dollar – a further round of intervention would support to this thesis – the time for reassessment will have arrived.

Meanwhile, the round of support for the dollar has intensified speculation that the Bundesbank council might today ease the repo rate. This would bolster the dollar's rally and simultaneously ease the pressures German industry is suffering from a strong D-Mark.

It has also intensified speculation about what tomorrow's US employment report will bring. In recent weeks weak economic statistics have driven the dollar lower.

■ The Bank of England in its daily operations provided UK money markets with £275m late assistance after forecasting a £450m shortage.

■ **OTHER CURRENCIES**

May 31	£	$
Hungary	193.859 - 194.287	122.070 - 122.270
Iran	4767.00 - 4764.30	3000.00 - 3000.00
Kuwait	0.4721 - 0.4727	0.2973 - 0.2975
Poland	3.7193 - 3.7294	2.3420 - 2.3470
Russia	7932.28 - 7932.56	4992.00 - 4995.00
U.A.E.	5.8325 - 5.8370	3.6736 - 3.6734

POUND SPOT FORWARD AGAINST THE POUND

May 31		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.7831	+0.1453	719 - 942	15.8760	15.6290	15.76	1.8	15.7127	1.8	-	-	107.1
Belgium	(BFr)	46.1077	+0.4861	867 - 287	46.2350	45.6010	46.0427	1.7	45.9127	1.7	45.3127	1.7	109.7
Denmark	(DKr)	8.7659	+0.0741	598 - 721	8.8168	8.6918	8.7689	-0.4	8.7637	0.1	8.7253	0.5	110.1
Finland	(FM)	6.8823	+0.0262	756 - 891	6.9570	6.8600	-	-	-	-	-	-	87.3
France	(FFr)	7.8966	+0.0505	937 - 994	7.9356	7.8127	7.906	-1.4	7.9162	-1.0	7.8733	0.3	108.4
Germany	(DM)	2.2447	+0.0206	432 - 461	2.2596	2.2238	2.2413	1.8	2.2328	2.1	2.1905	2.4	112.1
Greece	(Dr)	363.794	+3.066	611 - 976	366.075	358.733	-	-	-	-	-	-	68.2
Ireland	(I£)	0.9784	+0.0027	776 - 791	0.9791	0.9728	0.978	0.5	0.9778	0.2	0.9781	0.0	97.3
Italy	(L)	2604.43	-2.38	131 - 755	2613.29	2587.54	2614.33	-4.6	2631.23	-4.1	2613.75	-0.4	67.9
Luxembourg	(LFr)	46.1077	+0.4861	867 - 287	46.2350	45.6010	46.0427	1.7	45.9127	1.7	45.3127	1.7	109.7
Netherlands	(Fl)	2.5146	+0.0264	135 - 157	2.5257	2.4896	2.5106	1.9	2.5009	2.2	2.4535	2.4	109.5
Norway	(NKr)	9.9697	+0.0529	629 - 765	10.0645	9.8780	9.961	1.0	9.9374	1.3	9.8101	1.6	99.3
Portugal	(Es)	236.472	+1.891	309 - 634	238.149	234.661	235.607	4.4	238.777	-3.9	-	-	95.6
Spain	(Pta)	194.876	+0.718	701 - 050	195.891	193.361	195.376	-3.1	196.456	-3.2	201.251	-3.3	80.9
Sweden	(SKr)	11.6615	+0.0266	522 - 707	11.7983	11.5911	11.6639	-0.2	11.6661	-0.2	11.6864	-0.2	77.5
Switzerland	(SFr)	1.8547	+0.0216	533 - 560	1.8632	1.8318	1.85	3.0	1.8395	3.3	1.7905	3.5	113.2
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	84.3
Ecu	-	1.2161	+0.009	155 - 167	1.2196	1.1988	1.2162	-0.1	1.2151	0.3	1.2074	0.7	-
SDR†	-	1.014860	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5883	-0.0119	878 - 888	1.6077	1.5850	-	-	-	-	-	-	-
Brazil	(R$)	1.4400	-0.0076	388 - 412	1.4556	1.4378	-	-	-	-	-	-	-
Canada	(C$)	2.1748	-0.0197	738 - 758	2.2048	2.1691	2.1772	-1.4	2.1794	-0.9	2.1734	0.1	82.6
Mexico	(New Peso)	9.7934	-0.0962	668 - 200	9.9374	9.7668	-	-	-	-	-	-	-
USA	($)	1.5886	-0.0117	881 - 890	1.6080	1.5852	1.5882	0.3	1.5865	0.5	1.5713	1.1	88.7
Pacific/Middle East/Africa													
Australia	(A$)	2.2071	-0.0125	057 - 085	2.2085	2.2038	2.2093	-1.2	2.2129	-1.1	2.2206	-0.6	78.0
Hong Kong	(HK$)	12.2879	-0.0909	836 - 922	12.4373	12.2823	12.2838	0.4	12.2745	0.4	12.2076	0.7	-
India	(Rs)	49.9202	-0.3597	981 - 423	50.5310	49.8230	-	-	-	-	-	-	-
Israel	(Shk)	4.7962	+0.0012	908 - 015	4.8370	4.7908	-	-	-	-	-	-	-
Japan	(Y)	134.463	+1.618	353 - 572	135.810	132.640	133.888	5.1	132.593	5.6	126.713	5.8	170.0
Malaysia	(M$)	3.9158	-0.0304	139 - 177	3.9570	3.9064	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3915	-0.0057	896 - 934	2.3934	2.3882	2.3966	-2.6	2.4061	-2.4	2.4224	-1.3	97.9
Philipines	(Peso)	40.9847	-0.3418	142 - 551	41.1551	40.8142	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.9582	-0.0439	562 - 602	6.0311	5.9458	-	-	-	-	-	-	-
Singapore	(S$)	2.2140	-0.0112	125 - 154	2.2455	2.2087	-	-	-	-	-	-	-
South Africa	(R)	5.8455	-0.0134	426 - 483	5.8957	5.8351	-	-	-	-	-	-	-
South Korea	(Won)	1203.88	-12.23	346 - 430	1219.33	1201.42	-	-	-	-	-	-	-
Taiwan	(T$)	40.6288	-0.2932	109 - 466	41.1198	40.5494	-	-	-	-	-	-	-
Thailand	(Bt)	39.2054	-0.158	784 - 324	39.5490	39.1230	-	-	-	-	-	-	-

† Rates for May 30. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

May 31		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan Index
Europe													
Austria	(Sch)	9.9355	+0.1634	313 - 397	9.9810	9.7405	9.9235	1.4	9.9035	1.3	9.809	1.3	107.2
Belgium	(BFr)	29.0250	+0.516	200 - 300	29.1100	28.4670	28.989	1.5	28.94	1.2	28.635	0.7	109.8
Denmark	(DKr)	5.5182	+0.0867	158 - 205	5.5436	5.4140	5.5217	-0.8	5.5287	-0.8	5.5537	-0.6	109.4
Finland	(FM)	4.3325	+0.0481	294 - 355	4.3656	4.2731	4.3307	0.5	4.3275	0.5	4.327	0.1	86.0
France	(FFr)	4.9709	+0.0679	705 - 713	4.9839	4.8785	4.9778	-1.7	4.9893	-1.5	5.0094	-0.8	107.8
Germany	(DM)	1.4130	+0.0231	125 - 135	1.4195	1.3850	1.4112	1.5	1.4074	1.6	1.394	1.3	111.8
Greece	(Dr)	229.010	+3.59	960 - 060	230.010	223.400	231.01	-10.5	234.76	-10.0	250.51	-9.4	67.5
Ireland	(I£)	1.6238	-0.0164	230 - 245	1.6479	1.6210	1.6245	-0.5	1.6261	-0.6	1.6383	-0.9	-
Italy	(L)	1639.50	+10.5	800 - 100	1642.10	1614.25	1646	-4.8	1658.25	-4.6	1716	-4.7	66.9
Luxembourg	(LFr)	29.0250	+0.516	200 - 300	29.1100	28.4670	28.989	1.5	28.94	1.2	28.635	0.7	109.8
Netherlands	(Fl)	1.5830	+0.0281	827 - 832	1.5887	1.5503	1.5808	1.7	1.5764	1.7	1.5615	1.4	109.4
Norway	(NKr)	6.2760	+0.079	735 - 785	6.3160	6.1660	6.2767	-0.1	6.2715	0.3	6.2615	0.2	98.3
Portugal	(Es)	148.860	+2.27	800 - 920	149.740	146.240	149.31	-3.6	150.26	-3.8	155.61	-4.5	95.9
Spain	(Pta)	122.675	+1.345	600 - 750	122.950	120.690	123.015	-3.3	123.815	-3.7	128	-4.3	80.3
Sweden	(SKr)	7.3410	+0.0704	372 - 447	7.3730	7.2186	7.3573	-2.7	7.3925	-2.8	7.5775	-3.2	76.7
Switzerland	(SFr)	1.1675	+0.022	670 - 680	1.1740	1.1425	1.1648	2.7	1.1595	2.8	1.1396	2.4	113.1
UK	(£)	1.5886	-0.0117	881 - 890	1.6080	1.5852	1.5882	0.3	1.5865	0.5	1.5713	1.1	83.4
Ecu	-	1.3063	-0.0194	060 - 065	1.3317	1.3040	1.3061	0.2	1.3057	0.2	1.3015	0.4	-
SDR†	-	0.63468	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-0.0001	998 - 999	0.9999	0.9996	-	-	-	-	-	-	-
Brazil	(R$)	0.9065	+0.002	060 - 070	0.9070	0.9040	-	-	-	-	-	-	-
Canada	(C$)	1.3691	-0.0023	688 - 693	1.3730	1.3660	1.3709	-1.6	1.3738	-1.4	1.3856	-1.2	80.8
Mexico	(New Peso)	6.1650	-0.015	500 - 800	6.2100	6.1600	6.1673	-0.4	6.1704	-0.4	6.1753	-0.2	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	89.0
Pacific/Middle East/Africa													
Australia	(A$)	1.3893	+0.0023	889 - 899	1.3902	1.3720	1.3909	-1.4	1.3948	-1.6	1.416	-1.9	78.4
Hong Kong	(HK$)	7.7353	-0.0002	348 - 358	7.7358	7.7348	7.7335	0.3	7.733	0.1	7.7488	-0.2	-
India	(Rs)	31.4250	+0.005	200 - 300	31.4500	31.4150	31.505	-3.1	31.75	-4.1	-	-	-
Israel	(Shk)	3.0192	+0.0228	167 - 217	3.0352	2.9937	-	-	-	-	-	-	-
Japan	(Y)	84.6450	+1.63	000 - 900	85.3500	82.6000	84.31	4.7	83.385	5.0	80.67	4.7	173.3
Malaysia	(M$)	2.4650	-0.001	645 - 655	2.4685	2.4608	2.463	1.0	2.4606	0.7	2.455	0.4	-
New Zealand	(NZ$)	1.5053	+0.0074	047 - 063	1.5066	1.4873	1.5087	-2.7	1.5155	-2.7	1.5348	-2.0	-
Philipines	(Peso)	25.8000	-0.025	000 - 000	25.9000	25.7000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7507	-	505 - 509	3.7510	3.7505	3.7517	-0.3	3.7538	-0.3	3.7657	-0.4	-
Singapore	(S$)	1.3937	+0.0032	932 - 942	1.3997	1.3901	1.3884	4.5	1.3802	3.9	1.3537	2.9	-
South Africa	(R)	3.5798	+0.0185	790 - 805	3.6810	3.6620	3.7008	-6.8	3.7518	-7.8	4.0078	-8.9	-
South Korea	(Won)	757.850	-2.1	800 - 900	759.900	757.800	760.85	-4.8	764.35	-3.4	782.85	-3.3	-
Taiwan	(T$)	25.5760	+0.0037	720 - 800	25.5945	25.5500	25.596	-0.9	25.636	-0.9	-	-	-
Thailand	(Bt)	24.6800	+0.083	700 - 900	24.6900	24.5900	24.701	-1.0	24.7275	-0.8	24.815	-0.5	-

† SDR rate per $ for May 30. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices May 30. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

May 31	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	4⅞	4⅞	4⅞	5 1/16	5⅜	7.40	4.00	-
week ago	4½	4⅞	5	5 3/16	5 5/16	7.40	4.00	-
France	7⅝	7⅝	7½	7⅛	6¾	5.00	-	8.00
week ago	7⅝	7⅝	7⅜	7 3/16	6¾	5.00	-	8.00
Germany	4½	4½	4½	4 7/16	4⅝	6.00	4.00	4.51
week ago	4½	4½	4¼	4½	4⅝	6.00	4.00	4.51
Ireland	6¼	6¼	6⅞	6⅞	7 1/16	-	-	6.25
week ago	6⅜	6⅜	6⅞	6⅞	7⅜	-	-	6.25
Italy	10⅝	10⅝	10⅞	10¾	11	-	7.50	10.40
week ago	10⅜	10⅝	10½	10⅞	10⅞	-	7.50	10.00
Netherlands	4⅜	4⅜	4⅜	4 7/16	4⅝	-	5.25	-
week ago	4⅝	4⅜	4¼	4½	4⅞	-	5.25	-
Switzerland	2⅞	3¼	3⅜	3⅜	3½	6.625	3.00	-
week ago	2⅞	3¼	3⅜	3⅜	3 7/16	6.625	3.00	-
US	6 1/16	6	6	6	5⅞	-	5.25	-
week ago	6	6	6 1/16	6 1/16	6 1/16	-	5.25	-
Japan	1⅜	1⅜	1⅜	1⅜	1⅜	-	1.00	-
week ago	1⅜	1⅜	1⅜	1⅜	1⅜	-	1.00	-
■ $ LIBOR FT London								
Interbank Fixing	-	6 1/16	6 1/16	6	6	-	-	-
week ago	-	6 1/16	6⅛	6⅛	6⅛	-	-	-
US Dollar CDs	-	5.75	5.77	5.73	5.73	-	-	-
week ago	-	5.75	5.86	5.86	5.92	-	-	-
ECU Linked Ds	-	6⅛	6 1/16	6¼	6⅜	-	-	-
week ago	-	6⅛	6⅜	6¼	6⅜	-	-	-
SDR Linked Ds	-	4	4 1/16	4 1/16	4⅛	-	-	-
week ago	-	4	4 1/16	4 1/16	4⅛	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.

Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

May 31	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	4⅝ - 4½	4⅝ - 4½	4 13/16 - 4 11/16	5 1/16 - 4 15/16	5¼ - 5⅛	5½ - 5⅜
Danish Krone	6½ - 6	7⅝ - 7⅜	7¾ - 7⅝	7¾ - 7⅝	7¾ - 7⅝	7¾ - 7⅝
D-Mark	4⅝ - 4½	4 9/16 - 4 7/16	4½ - 4⅜	4½ - 4⅜	4½ - 4⅜	4 9/16 - 4 7/16
Dutch Guilder	4⅜ - 4¼	4 7/16 - 4 5/16	4 7/16 - 4 5/16	4 7/16 - 4⅜	4 9/16 - 4 7/16	4⅝ - 4 9/16
French Franc	7 13/16 - 7 11/16	7 13/16 - 7 11/16	7 13/16 - 7 11/16	7 11/16 - 7 9/16	7⅜ - 7¼	7 - 6⅞
Portuguese Esc.	9 - 8⅞	9⅛ - 8⅞	9½ - 9 5/16	10 - 9 13/16	10½ - 10 5/16	11 1/16 - 10 13/16
Spanish Peseta	8¾ - 8⅝	8⅞ - 8¾	9 5/16 - 9 3/16	9⅝ - 9½	10 - 9⅞	10 7/16 - 10 5/16
Sterling	6⅝ - 6⅜	6⅛ - 6	6 5/16 - 6¼	6 19/32 - 6 17/32	6⅞ - 6¾	7 3/16 - 7 1/16
Swiss Franc	3 5/16 - 3 3/16	3¼ - 3⅛	3 5/16 - 3 3/16	3¼ - 3⅛	3 7/16 - 3 5/16	3½ - 3⅜
Can. Dollar	7⅝ - 7 7/16	7 11/16 - 7½	7 9/16 - 7 7/16	7 7/16 - 7 5/16	7 7/16 - 7 5/16	7¼ - 7⅛
US Dollar	6⅛ - 6	6 1/16 - 5 15/16	6 1/16 - 5 15/16	6 1/16 - 5 15/16	6 1/16 - 5 15/16	6 - 5⅞
Italian Lira	10⅛ - 10	10⅝ - 10½	10 11/16 - 10 9/16	10 13/16 - 10 11/16	11 - 10⅞	11 3/16 - 11 1/16
Yen	1 5/16 - 1¼	1 5/16 - 1¼	1 9/32 - 1 7/32	1 3/16 - 1⅛	1 3/32 - 1 1/32	1 1/16 - 1
Asian $Sing	¼ - ⅛	¼ - ⅛	½ - ⅜	1 - ⅞	1½ - 1⅜	2¼ - 2⅛

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris Interbank offered rate (FFr5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	92.60	92.64	+0.18	92.68	92.58	17,454	36,405
Sep	93.45	93.53	+0.18	93.62	93.45	24,698	58,305
Dec	93.83	93.86	+0.12	93.93	93.80	7,614	32,202

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.56	95.57	+0.01	95.59	95.55	20952	106601
Sep	95.63	95.60	-	95.63	95.58	30380	132001
Dec	95.56	95.48	-0.05	95.57	95.44	39697	136339
Mar	95.47	95.34	-0.10	95.48	95.31	35224	103672

■ **THREE MONTH EUROLIRA INT.RATE FUTURES** (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	89.53	89.37	-0.09	89.58	89.34	9400	29406
Sep	89.50	89.35	-0.04	89.57	89.31	6438	32407
Dec	89.54	89.35	-0.02	89.54	89.35	1770	16328
Mar	89.50	89.35	-	89.51	89.33	851	7708

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.70	96.65	-0.05	96.71	96.62	2101	16813
Sep	96.73	96.63	-0.08	96.73	96.59	3956	13757
Dec	96.59	96.48	-0.11	96.59	96.46	1166	6842
Mar	96.48	96.35	-0.12	96.48	96.35	344	3730

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.81	93.79	+0.03	93.84	93.79	872	6947
Sep	93.82	93.81	+0.04	93.87	93.80	839	5978
Dec	93.79	93.77	+0.03	93.82	93.77	150	3098
Mar	93.64	93.63	+0.06	93.64	93.59	85	1643

* LIFFE futures also traded on APT

■ **EUROLIRA OPTIONS** (LIFFE) L1000m points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
8925	0.31	0.63	0.73	0.19	0.53	0.63
8950	0.17	0.50	0.60	0.30	0.65	0.75
8975	0.10	0.39	0.48	0.48	0.79	0.88

Est. vol. total, Calls 590 Puts 525. Previous day's open int., Calls 7221 Puts 4370

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

May 31		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.01	17.13	4.868	2.121	5649	5.453	21.62	512.8	422.6	25.29	4.022	2.169	4.716	3.445	291.5	2.636
Denmark	(DKr)	52.60	10	9.009	2.560	1.116	2971	2.868	11.37	269.7	222.2	13.30	2.115	1.141	2.480	1.812	153.3	1.387
France	(FFr)	58.38	11.10	10	2.842	1.239	3298	3.184	12.63	299.4	246.7	14.77	2.348	1.266	2.753	2.011	170.2	1.540
Germany	(DM)	20.54	3.906	3.519	1	0.436	1160	1.120	4.443	105.3	86.81	5.196	0.826	0.446	0.969	0.708	59.89	0.542
Ireland	(I£)	47.14	8.962	8.074	2.294	1	2663	2.571	10.19	241.7	199.2	11.92	1.896	1.022	2.223	1.624	137.4	1.243
Italy	(L)	1.770	0.337	0.303	0.086	0.038	100.	0.097	0.383	9.078	7.481	0.448	0.071	0.038	0.083	0.061	5.161	0.047
Netherlands	(Fl)	18.34	3.488	3.141	0.893	0.389	1036	1	3.965	94.03	77.49	4.638	0.737	0.398	0.865	0.632	53.46	0.484
Norway	(NKr)	46.24	8.792	7.921	2.251	0.981	2612	2.522	10	237.1	195.4	11.70	1.860	1.003	2.181	1.593	134.8	1.220
Portugal	(Es)	19.50	3.708	3.340	0.949	0.414	1102	1.063	4.217	100.	82.40	4.932	0.784	0.423	0.920	0.672	56.85	0.514
Spain	(Pta)	23.67	4.499	4.053	1.152	0.502	1337	1.291	5.118	121.4	100.	5.985	0.952	0.513	1.116	0.815	68.99	0.624
Sweden	(SKr)	39.54	7.517	6.772	1.925	0.839	2233	2.156	8.550	202.7	167.1	10	1.590	0.858	1.864	1.362	115.3	1.043
Switzerland	(SFr)	24.87	4.728	4.259	1.210	0.528	1405	1.356	5.377	127.5	105.1	6.289	1	0.539	1.173	0.857	72.49	0.656
UK	(£)	46.10	8.765	7.896	2.244	0.978	2604	2.514	9.969	236.4	194.8	11.66	1.854	1	2.174	1.588	134.4	1.216
Canada	(C$)	21.21	4.032	3.632	1.032	0.450	1198	1.156	4.586	108.7	89.60	5.363	0.853	0.460	1	0.730	61.82	0.559
US	($)	29.03	5.520	4.972	1.413	0.616	1640	1.583	6.278	148.9	122.7	7.343	1.168	0.630	1.369	1	84.63	0.766
Japan	(Y)	34.30	6.522	5.875	1.670	0.728	1938	1.871	7.417	175.9	144.9	8.676	1.379	0.744	1.618	1.182	100.	0.905
Ecu		37.91	7.208	6.493	1.845	0.804	2141	2.067	8.198	194.4	160.2	9.589	1.525	0.822	1.788	1.306	110.5	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.7210	0.7074	-0.0130	0.7226	0.7045	21,634	64,620
Sep	0.7269	0.7104	-0.0129	0.7269	0.7065	760	6,752
Dec	0.7263	0.7140	-0.0103	0.7270	0.7140	54	1,383

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.2108	1.1797	-0.0306	1.2139	1.1740	15,981	59,967
Sep	1.2193	1.1940	-0.0312	1.2269	1.1890	1,772	8,358
Dec	1.2409	1.2085	-0.0316	1.2409	1.2085	61	887

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.8745	0.8560	-0.0185	0.8771	0.8530	12,292	24,198
Sep	0.8800	0.8619	-0.0183	0.8831	0.8590	766	3,847
Dec	0.8720	0.8700	-0.0140	0.8870	0.8700	29	733

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.6006	1.5868	-0.0150	1.6070	1.5860	3,674	23,479
Sep	1.6050	1.5850	-0.0144	1.6052	1.5820	165	1,576
Dec	1.5800	1.5820	-0.0152	1.6010	1.5800	2	176

UK INTEREST RATES

LONDON MONEY RATES

May 31	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7⅛ - 5	6 5/16 - 5⅞	6⅜ - 6 3/16	6⅝ - 6½	6⅞ - 6¾	7 3/16 - 7 1/16
Sterling CDs	-	-	6¼ - 6⅛	6 19/32 - 6 17/32	6 27/32 - 6 25/32	7⅛ - 7
Treasury Bills	-	-	6⅜ - 5 15/16	6¼ - 6⅛	-	-
Bank Bills	-	-	6⅜ - 6 5/16	6 7/16 - 6⅜	6⅝ - 6⅜	-
Local authority deps.	6⅞ - 6 1/16	5 13/16 - 5 11/16	6¼ - 6⅛	6 17/32 - 6 15/32	6 29/32 - 6 27/32	7⅛ - 7
Discount Market deps	5½ - 4¾	5 13/16 - 5 11/16	-	-	-	-

UK clearing bank base lending rate 6¾ per cent from February 2, 1995

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	3	5⅞	5¾	6	6¼

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc. Ave. tender rate of discount 6.0768pc. ECGD fixed rate Stlg. Export Finance. Make up day May 31, 1995. Agreed rate for period June 26, 1995 to July 25, 1995, Schemes II & III 8.03pc. Reference rate for period Apr 29, 1995 to May 31, 1995, Schemes IV & V 6.766pc. Finance House Base Rate 7pc from May 1, 1995.

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.24	93.22	+0.01	93.26	93.21	9558	69811
Sep	92.98	92.97	+0.03	93.02	92.96	20872	101314
Dec	92.78	92.76	+0.03	92.81	92.75	9841	71773
Mar	92.59	92.57	+0.04	92.63	92.56	6870	42018

Also traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9300	0.26	0.23	0.25	0.04	0.26	0.49
9325	0.09	0.13	0.15	0.12	0.41	0.64
9350	0.01	0.05	0.08	0.29	0.58	0.82

Est. vol. total, Calls 8807 Puts 10018. Previous day's open int., Calls 203562 Puts 205068

EMS EUROPEAN CURRENCY UNIT RATES

May 31	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.15214	2.08551	+0.00414	-3.10	6.32	-
Belgium	39.3960	38.2621	+0.068	-2.88	6.08	21
Austria	13.4383	13.1006	+0.0296	-2.51	5.69	-
Germany	1.91007	1.86307	+0.00396	-2.46	5.63	-
Spain	162.493	162.155	-0.201	-0.21	3.24	1
Denmark	7.28580	7.28101	+0.01398	-0.07	3.10	0
Portugal	195.792	196.609	+0.45	0.42	2.60	-3
France	6.40608	6.56171	-0.00662	2.43	0.59	-20
Ireland	0.792214	0.816210	-0.001484	3.03	0.00	-20
NON ERM MEMBERS						
Greece	292.867	301.933	+0.319	3.10	-0.06	-
Italy	2106.15	2171.23	-19.72	3.09	-0.06	-
UK	0.786652	0.836126	-0.002029	6.29	-3.07	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Jun	CALLS Jul	CALLS Aug	PUTS Jun	PUTS Jul	PUTS Aug
1.525	-	-	-	-	-	-
1.550	3.92	-	-	0.21	-	-
1.575	2.06	2.83	3.48	0.80	1.65	2.30
1.600	0.84	1.68	2.28	2.01	2.86	3.56
1.625	0.24	0.86	1.40	3.85	4.54	5.16
1.650	0.03	0.38	-	6.13	-	-

Previous day's vol., Calls 9,357 Puts 17,354. Prev. day's open int., Calls 268,755 Puts 330,713

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100% (May 26)

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	93.96	93.95	-0.01	93.97	93.94	31,937	348,705
Sep	94.19	94.20	-	94.25	94.17	48,853	361,784
Dec	94.23	94.22	-	94.26	94.17	84,407	316,682

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100% (May 26)

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.40	94.39	-0.01	94.40	94.37	271	8,731
Sep	94.62	94.61	-	94.63	94.58	1,139	11,241
Dec	94.68	94.65	-	94.68	94.64	91	11,981

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Jun	CALLS Jul	CALLS Aug	CALLS Sep	PUTS Jun	PUTS Jul	PUTS Aug	PUTS Sep
9550	0.10	0.20	0.23	0.27	0.03	0.10	0.13	0.17
9575	0.03	0.08	0.10	0.14	0.21	0.23	0.25	0.29
9600	0.01	0.03	0.04	0.07	0.44	0.43	0.44	0.47

Est. vol. total, Calls 20698 Puts 8252. Previous day's open int., Calls 226811 Puts 304867

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9650	0.17	0.24	0.24	0.02	0.11	0.26
9675	0.03	0.10	0.13	0.13	0.27	0.40
9700	0.02	0.05	0.08	0.36	0.48	0.58

Est. vol. total, Calls 36 Puts 0. Previous day's open int., Calls 1295 Puts 1035

BASE LENDING RATES

	%		%		%
Adam & Company	6.75	Duncan Lawrie	6.75	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	10
Allied Trust Bank	6.75	Exeter Bank Limited	7.75	Royal Bk of Scotland	6.75
AIB Bank	6.75	Financial & Gen Bank	7.50	Singer & Friedlander	6.75
•Henry Ansbacher	6.75	•Robert Fleming & Co	6.75	•Smith & Williamson Secs.	6.75
Bank of Baroda	6.75	Girobank	6.75	TSB	6.75
Banco Bilbao Vizcaya	6.75	•Guinness Mahon	6.75	•United Bk of Kuwait	6.75
Bank of Cyprus	6.75	Habib Bank AG Zurich	6.75	Unity Trust Bank Plc	6.75
Bank of Ireland	6.75	•Hambros Bank	6.75	Western Trust	6.75
Bank of India	6.75	Heritable & Gen Inv Bk.	6.75	Whiteaway Laidlaw	6.75
Bank of Scotland	6.75	•Hill Samuel	6.75	Yorkshire Bank	6.75
Barclays Bank	6.75	C. Hoare & Co	6.75	• Members of London Investment Banking Association	
Brit Bk of Mid East	6.75	Hongkong & Shanghai	6.75	* In administration	
•Brown Shipley & Co Ltd	6.75	Julian Hodge Bank	6.75		
Citibank NA	6.75	•Leopold Joseph & Sons	6.75		
City Merchants Bank	6.75	Lloyds Bank	6.75		
Clydesdale Bank	6.75	Meghraj Bank Ltd	6.75		
The Co-operative Bank	6.75	Midland Bank	6.75		
Coutts & Co	6.75	• Mount Banking	6.75		
Credit Lyonnais	6.75	NatWestminster	6.75		
Cyprus Popular Bank	6.75	•Rea Brothers	6.75		

LEGAL NOTICE

No 002258 of 1994
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER OF
QUEENS MOAT HOUSES PLC
AND
IN THE MATTER OF THE
COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 17 May 1995 confirming the cancellation of the share premium account and reduction of share capital of the above-named Company from £399,920,921 to £315,000,000 and the Minute approved by the High Court showing with respect to the capital of the Company as altered the several particulars required by the above-mentioned Act were registered by the Registrar of Companies on 16 May 1995.
Dated 1 June 1995

Freshfields
65 Fleet Street
London EC4Y 1HS
Solicitors for the Company

PERSONAL

LONDON SHARE SERVICE

BANKS, MERCHANT

BANKS, RETAIL

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

BUILDING MATS. & MERCHANTS - Cont.

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

TRANSPORT - Cont.

	Notes	Price	+ or -	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
Trafficmaster	v□	156	—	177	148	34.2	-	-
Transport Dev.	□	234	—	237	184	345.6	5.1	15.7
Ugland Intl	†□	106	-1	128	92	26.8	2.8	Φ
United Carriers	v□	111	+1	111	90	37.6	5.5	21.0
Vard Nkr		110¼	+14½	*140¼	68¾	35.7	-	-
Wah Kwong HK$		112¼	+¾	139¾	111	142.1	0.5	47.2

WATER

	Notes	Price	+ or -	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglian	†□	526	+5	538	443	1,592	5.5	12.1
Bristol Water	†	1110	—	1115	1020	77.7	3.9	14.2
Cheam A	†	543	—	580	460	27.7	3.4	16.9
B N/V	†	525	—	545	445	12.6	3.5	16.7
Chester	†	173	—	209	168	20.8	3.9	17.0
Dee Valley		388	+18	388	340	38.0	3.1	15.7
East Surrey	†	482	—	488	388	58.7	3.5	10.0
Hartlepool	v	223xd	—	225	190	16.3	3.8	Φ
Mid Kent	†	323	—	348	295	65.2	4.8	10.9
North West	qv□	688xd	+1	676	483	2,197	4.6	8.1
Northumbrian	†□	919	+2	932	678	837.8	3.5	9.8
Severn Trent	†□	574	+7	584	475	2,095	5.1	9.8
South Staffs		2215	+5	2226	1855	128.5	3.9	Φ
South West	qv□	540	+11	540	459	684.2	6.5	10.4
Southern	†□	634	+7	640	517	1,076	4.7	9.2
Thames	†□	519	+2	518	456	2,040	5.7	7.7
Welsh	†□	645	+3	679	567	946.9	5.1	7.1
Wessex	†□	308	+5	319	252	789.4	4.9	8.0
York W'works	v	363	—	365	323	25.0	3.8	Φ
Yorkshire	†□	599	+3	601	472	1,214	4.9	8.8

AMERICANS

	Notes	Price £	+ or -	1995 high	low	Mkt Cap£m	Yld Gr's
AT & T		31¼	+½	33½	30¼	49,631	2.7
Abbott Labs.		24½	+⅛	28	20	18,754	2.2
Amer Express		21⅞	—	22	18¾	10,826	2.6
Amdahl		834p	+14	857p	645½p	965.2	0.4
Ameritech		27	+	29	25	15,197	4.6
Anheuser-Busch		35½xd	—	37	32	9,342	2.8
BankAmerica		32¼xd	—	33	25	11,288	3.6
Bankers NY		38⅞	+⅛	41⅛	31⅞	3,069	5.1
Bell Atlantic		34	+⅞	38	31	14,901	5.1
BellSouth		37	+	40	34	18,580	4.6
Bethlehem Steel	♥	8⅞	—	12	8½	967.8	-
CPC		36¼	-¼	38	31⅞	5,320	2.5

SOUTH AFRICANS

	Notes	Price	+ or -	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£32½	—	£34	£29	2,124	2.4	Φ
Barlow	♣	£8½	—	£8¾	£4⅞	1,307	1.5	24.3
Gold Flds Prop R		144	—	152	118	14.7	7.1	6.7
IIK Props		90	—	95	85	3.62	12.8	-
SASOL	♥	604	+13	648	435	3,536	2.2	-
SA Brews		£17¼xd	+¼	£18½	£12⅞	4,988	1.9	Φ
Tiger Oats		875	—	875	700	1,316	1.7	21.5
Tongaat-Hulett	††	725xd	—	788	636	880.8	1.9	22.1

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Rule 4.2(a) Irish incorporated non-listed companies.
- Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v P/e ratios are calculated under new ACT guidelines.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xp ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1275 a year for each security shown, subject to the Editor's discretion

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Both Annual Reports and FT Company Focus are available from the above number.

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Comprehensive 10-14 page report available on this company, containing key FT stories from the last year, latest survey of City profit forecasts and investment recommendations, 5 year financial and share price performance review, balance sheet and profit and loss data, plus recent Stock Exchange announcements for £6.45.

To order, call 0121 200 4678.

Reports published by ShareFinder Ltd.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 0171 873 4378 for more information on FT Cityline.

For readers phoning from outside UK, please dial +44 in place of the first 0.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

OFFSHORE INSURANCE

[illegible]

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Credit Investment Funds - Contd.

Morgan Stanley Sicav

Allied Dunbar International Assce Ltd (z)

Royal Skandia Life Assurance Ltd - Contd.

The China Fund

For China Investment Co see Crosby Asset

The China Invest & Development Fd Ltd

Citibank Global Asset Mgmt (Asia) Ltd

Citizens Investment Trust Mgt Co Ltd

Global Asset Management - Contd.

E D & F Man Investment Products - Contd.

Rosenwald, Rodill & Co Ltd

For Royal Bk of Canada Intl Money Mkt see Guernsey (Regulated)

Sabre Futures Fund

For Saint Republic Holdings see Republic Funds

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

	Selling Price	Buying Price	+ or -	Yield Gross
Wellington Fd Mngrs (Bermuda) Ltd				
Total Growth Fd	$16.37	17.19	+2.85	-
Wells Fargo U.S. IT Fund				
Wells Fargo A Shs (z)	$13.71		+0.08	-
Wells Fargo B Shs (z)	$17.16		+0.03	-
Worldwide Limited				
NAV Mar 31	$89.85		—	-
Xiphias International Investment Fd Ltd				
Xiphias Global Growth	$8.93		—	-
Xiphias Int ECU Acc	Ecu1.2215		—	-
Xiphias Int ECU Dis	Ecu1.0858		—	-
Yamaichi Capital Management (Guernsey) Ltd				
Thai Inv Fund	$20.52		—	-

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars.
Yields % allow for all buying expenses.
Prices of certain older insurance linked plans subject to capital gains tax on sales.
(**) Funds not SIB recognised. The regulatory authorities for these funds are:
Guernsey - Financial Services Commission
Ireland - Central Bank of Ireland
Isle of Man - Financial Supervision Commission
Jersey - Financial Services Department.
Luxembourg - Institut Monétaire Luxembourgeois.
Initial charge - Charge made on sale of units.
Selling price - Bid or redemption price.
Buying price - Offer or issue price.
Time - The time shown alongside the fund manager's name is the time of the fund's valuation point unless indicated by one of the following symbols:
(✠) - 0001 to 1100 hours
(♦) - 1101 to 1400 hours
(▲) - 1401 to 1700 hours
(#) - 1701 to midnight.
E - Exit charge on sale of units.
C - Manager's periodic charge deducted from capital.
H - Historic pricing F - Forward pricing
b - Distribution free of UK taxes.
p - Periodic premium insurance plans.
s - Single premium insurance.
g - Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities).
x - Offered price includes all expenses except agent's commission.
y - Previous day's price.
§§ - Guernsey gross.
♦ - Yield before Jersey tax.
† - Ex-subdivision.
‡ - Only available to charitable bodies
ф - Yield column shows annualised rates of NAV increase.
xd - Ex-dividend.

LONDON STOCK EXCHANGE

MARKET REPORT

Footsie gains ground after currency turbulence

By Steve Thompson, UK Stock Market Editor

The UK equity market emerged intact and in good form after a turbulent session that saw the dollar and sterling surge ahead after a bout of central bank intervention on behalf of the US currency.

The intervention, which took place just before Wall Street opened, took foreign exchanges and bond and equity markets completely by surprise, causing confusion for some time.

It came after news that the US gross domestic product for the first quarter had been revised downwards to show an annualised 2.7 per cent rise on the previous quarter. This was the slowest increase for 18 months and yet another indication that the economy is slowing, raising the possibility that the Federal Reserve may cut US interest rates to prevent a "hard landing".

Wall Street initially edged ahead on the news, *before slipping back* and then staging a strong upward move. Taking its cue from the US, the Footsie began to move ahead and eventually closed in good heart.

The FT-SE 100 settled a net 9.5 higher at the day's best of 3,319.4. The Mid 250 index delivered a robust performance, ending 11.2 firmer at 3,653.8, its 1995 high.

Sentiment in London was helped late in the session by a strong rumour that this morning could see more UK corporate activity. Talk yesterday suggested that long running merger discussions between Fisons and Medeva will result in terms being announced shortly. Medeva shares were exceptionally *strong and marketmakers were* reluctant to deal in large size towards the close.

Also helping sentiment in London and on Wall Street were stories that the US/Japan trade talks would be resolved soon.

London began the session on a quietly firm note, with the FT-SE 100 up some eight points shortly after the opening, again stimulated by a strong performance by bonds, bunds and gilts and following news that British Aerospace had relaunched its bid for VSEL, the warship manufacturer.

With little institutional interest across much of the market, however, prices began to lose ground *and the slide* was increased in mid-morning when the Footsie future fell to a discount to the cash market. At its worst, the 100 index was down 8.5. The market then began to recover, and had edged back into plus territory when the central bank intervention became known.

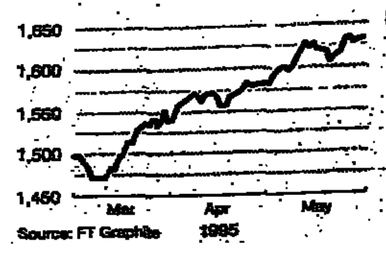
The strength of the dollar, plus the Japan/US trade talks hopes, triggered big support for stocks such as HSBC and Cable and Wireless, which topped the FT-SE 100 performance league.

On the downside, Forte were unsettled by talk that a block of 5m shares was on *offer*, while Lloyds Bank suffered from widespread selling pressure amid concerns about a squeeze on mortgage lending.

Marketmakers were optimistic about short term potential in London, pointing to positive signals on the charts where 90 and 200-day moving averages were said to her*ald significant gains.*

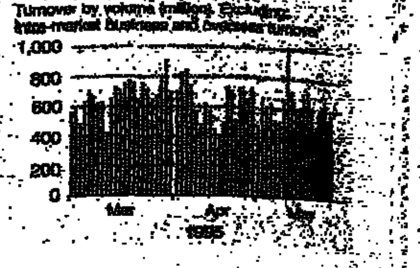
Turnover totalled 589.7m shares, with non-Footsie stocks accounting for 59 per cent. Customer business on Tuesday fell to £952m.

FT-SE-A All-Share Index



Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3319.4	+9.5	FT Ordinary Index	2507.7	+1.5
FT-SE Mid 250	3653.8	+11.2	FT-SE-A Non Fins p/e	16.88	(16.82)
FT-SE-A 350	1650.5	+4.7	FT-SE 100 Fut Jun	3325.0	+14.0
FT-SE-A All-Share	1632.56	+4.62	10 yr Gilt yield	7.96	(7.95)
FT-SE-A All-Share yield	3.96	(3.97)	Long gilt/equity yld ratio:	2.04	(2.03)

Best performing sectors

1. Gas Distribution .... +1.0
2. Banks, Retail .... +0.9
3. Water .... +0.8
4. Tobacco .... +0.6
5. Electronic & Elec .... +0.6

Worst performing sectors

1. Banks, Merchant .... -0.6
2. Leisure & Hotels .... -0.3
3. Life Assurance .... -0.2
4. Breweries .... -0.2
5. Extractive Inds. .... -0.2

Forecast shifts hit Lloyds

High street bank Lloyds tumbled sharply as worries over mortgage lending coincided with talk of imminent big profits downgrades.

Analysts have been busy trying to get a steer on their predictions ahead of Lloyds' interim closed season which starts today.

The current range of figures is said to show a challenging £350m spread between the highest and lowest estimates. The spread reflects disagreement in the market over whether lending has picked up or fallen.

Mr Martin Hughes of Credit Lyonnais Laing said: "The range represents a 17p difference in earnings per share estimates and a 170p spread on the share price. Lloyds is a big bet on the downside."

Pessimists received further grist from the latest national *mortgage figures, which* showed a fall of more than 10 per cent in April against the same period last year.

Finally, there was talk that one big seller had tried to place stock with several marketmakers and the competition created by the split order had forced the share price down further. Lloyds shares finished the day 11 cheaper at 654p, the second biggest percentage fall on the FT-SE 100.

Oil major **Shell Transport** ignored the trend of weaker crude oil prices as the stock responded to a positive company meeting.

At a big presentation to analysts and institutional investors in London yesterday, the company apparently hinted that it might be prepared to give some of its cash mountain back to shareholders. Shell has *£8.3bn gross cash and £1.3bn* net cash in its coffers.

Also, suggestions that current chemicals prices were even stronger than most analysts had believed prompted current-year forecast upgrades. The range of 1995 profits estimates is between £4.3bn and £4.7bn. Mr John Toalster said that he was raising his forecast by £400m to £5bn. Shell moved up 4 to 772p.

Mobile phones group Vodafone was the most actively dealt Footsie component, with 9.9m shares changing hands, as investors took a hard look at the stock ahead of Tuesday's results statement.

A clear two-way pull developed. Concerns, in view of Wall Street's volatility, about US investors owning as much as 45 per cent of the stock, were offset by an upbeat note on the sector from NatWest Securities. *This reiterated the house's* positive stance on Vodafone. The shares closed a penny easier at 206p.

Boosted by a near 2 per cent advance by the Hong Kong stock market and talk of progress in the Japanese-US trade negotiations, **Cable and Wireless** gained 8 at 422p in 7.8m turnover. Sentiment built up against BT's new pricing strategy and the shares retreated 4 to 394½p.

Bid candidate **Medeva** leapt forward in late trading as talk whipped through the market that negotiations with **Fisons** would reach some sort of conclusion today.

The shares, steady at 238p for most of the day, surged ahead in the last half-hour of dealing to finish 7½ up at 245½p with 2.4m traded, unusually high for the stock. *Fisons softened 2 to 175p.*

SmithKline Beecham, the pharmaceuticals stock most heavily exposed to US investors, advanced 8 to 509p in the "A"s as word leaked into the market that one leading US house felt the sector as a whole had been oversold.

The race to become top UK defence contractor finally got under way with *British Aerospace* improving the cash element within its offer for submarine maker VSEL, and engineering analysts to a man betting heavily on an early rejoinder from bid rival GEC.

British Aerospace, which is sticking with its initial offer of 3.3 shares but raising the cash alternative to £16, fell 6 to 524p in 3m turnover. GEC closed 2½ higher at 320p in 1.7m traded. VSEL finished 44 above the value of the BAe all-share deal at 1790p, up 4.

GEC has until June 13 to respond. VSEL is seen as the key stepping stone in the defence contracting ambitions of both BAe and GEC. Should a full scale bid auction develop, most analysts expect the winning hand to exceed £20, with some estimates going as high as £23.

Channel tunnel operator **Eurotunnel** weakened 6 to 182p. The stock appeared to *ignore the optimistic tone of* the London annual meeting, choosing instead to take its cue from heavy selling in Paris, where some 8.5m shares were traded.

At the agm, the company claimed a 35 per cent share of the Dover-Calais heavy goods vehicle trade and 25 per cent of passenger traffic, and stated categorically that the company, which has borrowings of £8bn, would not be seeking further equity financing.

The annual meeting of British Gas attracted the private investor fury that everyone had expected. However, the board got the support of the institutional shareholders and the shares gained 3 at 302½p.

Retailer **Kingfisher** was one of the day's leading market features after publishing a trading update.

The group said sales in the 13 weeks to the end of April had risen by 5 per cent *although losses at Comet, its* electrical retailing subsidiary, are expected to be higher than at the same stage last year.

Market watchers had expected the stock to retreat on the news from Comet. However, the shares moved steadily ahead and closed 4 up at 457p, with one of the leading marketmaking firms said to have been *the main* buyer of the stock. Volume was 5.5m shares.

As the session ended the early buyer was believed to still have a large line of stock *on offer, a factor that* may depress the shares over the next few sessions.

Analysts were also cautious on Kingfisher and several brokers yesterday moved to downgrade both interim and full year profit expectations. The list included BZW, where Mr Tony Shiret reduced his interim profits forecast by £3m to £77m and trimmed the full year estimate by £5m to £290m, "to reflect the bigger than expected first half loss at Comet of about £12m". He remains a *seller* of the *shares*.

Expansion hopes boosted tour operator **Airtours** and the shares appreciated 9 to 442p. Light profit-taking in **Thorn EMI** *saw the shares surrender* 10 to 1240p.

A stock overhang depressed UK hotels group **Forte**. The shares gave up 4 to 231p after 3.8m being traded, making it the worst performing stock in the FT-SE 100 Index. A line of around 5m shares had not yet found a home by the end of the session.

Solder and roofing group **Kelsey Industries** continued to gain following Tuesday's strong interim results. The shares jumped 30½ to 455p for a two-day advance of 22 per cent.

Dealers cited general investment buying when trying to explain the advance in retailing group **House of Fraser**. The shares moved forward 5 to 158p, with 2.7m having been *dealt in the stock by the close* of business.

South West Water advanced 11 to 540p after Kleinwort Benson turned positive, moving from a hold to a buy stance. The securities house believes the stock to be attractive on yield considerations.

Steady buying of **Severn Trent** saw the stock move ahead a further 7 to 574p, with trade of 1.2m shares .

MARKET REPORTERS:
Peter John,
Joel Kibazo,
Jeffrey Brown.

FINANCIAL TIMES EQUITY INDICES

	May 31	May 30	May 26	May 25	May 24	Yr ago	*High	*Low
Ordinary Share	2507.7	2506.2	2508.3	2513.2	2517.3	2321.2	2617.3	2238.3
Ord. div. yield	4.26	4.26	4.26	4.24	4.22	4.32	4.73	4.20
P/E ratio net	15.88	15.87	15.88	15.91	16.21	18.59	21.33	15.87
P/E ratio nil	15.64	15.63	15.64	15.67	15.90	19.22	22.21	15.63

*For 1995. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share Index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2511.2	2509.0	2500.0	2500.1	2501.8	2502.9	2503.6	2498.9	2505.2	2512.4	2495.6

	May 31	May 30	May 26	May 25	May 24	Yr ago
SEAQ bargains	22,031	20,303	23,131	29,184	25,854	22,553
Equity turnover (£m)†	-	952.7	1201.3	1674.6	1599.0	1116.3
Equity bargains†	-	30,872	38,841	42,610	36,697	27,230
Shares traded (ml)†	-	575.7	543.0	659.9	639.5	446.0

†Excluding intra-market business and overseas turnover.

■ London market data

Rises and falls*		1995 Highs and lows		LIFFE Equity options	
Total Rises	785	Total Highs	166	Total contracts	20,433
Total Falls	457	Total Lows	32	Calls	11,918
Same	1,644			Puts	8,515

May 31 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3321.0	3325.0	+14.0	3330.0	3300.0	13241	67546
Sep	3348.0	3348.0	+14.0	3349.0	3324.5	2103	12153
Dec	3360.0	3374.0	+14.0	3360.0	3359.0	130	435

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun		3660.0	+7.0			0	2738
Sep		3684.0	+7.0			0	2621

■ FT-SE 100 INDEX OPTION (LIFFE) (*3317) £10 per full index point

	3150 C	3150 P	3200 C	3200 P	3250 C	3250 P	3300 C	3300 P	3350 C	3350 P	3400 C	3400 P	3450 C	3450 P	3500 C	3500 P
Jun	176½	1½	130	3½	84½	9	47	21½	20½	47	6½	85½	1	135	1	185
Jul	196	10	159½	17	115½	28½	82	45½	56	69½	32½	99½	17	138	9	185
Aug	205	20	166	30	128	43	97½	62½	70½	86	47½	113½	31½	149	18½	189
Sep	222	29½	184	40	148½	54½	118	73½	91	97	67½	124½	49½	158	38	195
Dec†			236	72½			173½	108½			123½	158½			82½	228

Calls 4,201 Puts 3,374

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3175 C	3175 P	3225 C	3225 P	3275 C	3275 P	3325 C	3325 P	3375 C	3375 P	3425 C	3425 P	3475 C	3475 P	3525 C	3525 P
Jun	152½	3	108	6½	64½	14½	32	32	12½	62	3	102½	1	150½	1	200
Jul	174	12½	133½	21½	97	34½	66½	53½	42	78½	24½	110½	12½	148½	9	197
Aug	185	23½	147½	38	114	52	85½	72½	61½	98	42	127½	28½	161½	15½	200
Sep			165½	45			104	81½			58	133½			28	201½
Dec†			223	79½			161	114			187½	156½			67	213

Calls 884 Puts 1,164 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1995 High	1995 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	P.P.	131.4	733	689	Brit Aero Cap Uts	718	-5	-	-	-	-
-	F.P.	143.7	105	100	Dunyat An Div	105		M6.2	-	7.4	-
-	F.P.	29.7	105	100	Do. Monthly Div	105		M5.92	-	7.0	-
-	F.P.	25.2	103	98	Finsbury Worldwide	101		-	-	-	-
190	F.P.	433.2	187	165½	General Cable	171	+1	-	-	-	-
80	F.P.	14.6	98	80	Gus Carter	92	-1	v-	-	-	20.2
3	F.P.	2.23	3½	3½	Langdons Foods	3½		Hv0.1	2.6	3.6	13.3
-	F.P.	13.0	650	650	Oryx India	650		-	-	-	-
-	F.P.	1.00	250	250	Do Warrants	260		-	-	-	-
125	F.P.	20.7	141	125	Precoat Int'l	141		R4.2	2.5	3.7	13.5
-	F.P.	83.9	107	103	Schroder Inc Gth	106		-	-	-	-
-	F.P.	4.27	31	26	Do. Warrants	27		-	-	-	-

FT GOLD MINES INDEX

	May 30	% chg on day	May 29	May 26	Year ago	Gross div yield %	52 week High	52 week Low
Gold Mines Index (34)	1911.48	-1.4	1938.13	1916.73	1936.44	2.18	2337.80	1637.91
■ Regional Indices								
Africa (16)	2564.18	-1.3	2598.21	2533.69	2616.96	5.08	3711.87	2428.19
Australasia (7)	2263.59	+1.3	2233.73	2261.77	2617.82	1.71	2951.49	1788.20
North America (11)	1677.24	-2.0	1710.55	1695.07	1641.37	0.81	1911.21	1348.18

Copyright, The Financial Times Limited 1995. † Partial.
Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92.
Latest prices were unavailable for this edition.

FT - SE Actuaries Share Indices — The UK Series

	May 31	Day's chge%	May 30	May 26	May 25	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3319.4	+0.3	3309.9	3311.1	3328.2	2931.9	4.15	2.00	15.04	65.78	1294.25
FT-SE Mid 250	3653.8	+0.3	3642.6	3642.0	3651.6	3537.7	3.55	1.83	19.24	52.81	1397.82
FT-SE Mid 250 ex Inv Trusts	3663.0	+0.3	3651.0	3651.0	3657.7	3544.0	3.69	1.89	17.94	54.20	1399.84
FT-SE-A 350	1650.5	+0.3	1645.8	1646.2	1653.7	1489.1	4.02	1.97	15.82	30.72	1315.26
FT-SE-A 350 Higher Yield	1670.8	+0.3	1665.6	1665.0	1671.7	1480.2	4.90	1.75	14.59	37.87	1098.91
FT-SE-A 350 Lower Yield	1629.2	+0.3	1624.9	1626.5	1635.1	1459.5	2.98	2.39	17.55	23.15	1090.18
FT-SE SmallCap	1860.75	+0.2	1857.19	1857.85	1858.82	1872.16	3.28	1.63	23.44	27.82	1477.73
FT-SE SmallCap ex Inv Trusts	1840.47	+0.2	1836.26	1836.92	1835.69	1851.30	3.47	1.70	21.18	28.78	1467.82
FT-SE-A ALL-SHARE	1632.56	+0.3	1627.94	1628.35	1635.32	1484.63	3.96	1.94	16.23	29.90	1322.59

■ FT-SE Actuaries All-Share

	May 31	Day's chge%	May 30	May 26	May 25	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	2853.00	+0.1	2850.31	2862.31	2874.24	2600.28	3.66	2.07	16.48	61.64	1178.37
12 Extractive Industries(7)	3737.10	-0.2	3744.52	3775.37	3828.58	3774.34	3.77	2.08	15.95	91.94	1058.24
15 Oil, Integrated(3)	2858.55	+0.2	2853.58	2865.19	2871.72	2545.28	3.77	2.16	15.34	61.83	1207.65
16 Oil Exploration & Prod(14)	2061.39	-0.1	2063.63	2058.12	2063.11	1903.06	2.40	0.67	77.26	31.57	1212.79
20 GEN INDUSTRIALS(278)	1962.59	+0.2	1957.81	1961.13	1963.74	1956.38	4.00	1.71	18.27	34.03	1028.31
21 Building & Construction(36)	1002.12	+0.2	1000.37	997.78	998.07	1205.95	3.98	1.86	16.93	20.64	808.45
22 Building Matls & Merchs(31)	1825.38	.....	1825.62	1835.58	1843.11	1871.75	4.05	1.94	15.88	37.17	887.34
23 Chemicals(22)	2435.20	+0.3	2426.72	2425.18	2432.95	2420.10	3.89	1.54	20.79	44.29	1110.25
24 Diversified Industrials(18)	1870.84	+0.4	1863.84	1874.47	1870.13	1962.73	5.10	1.59	15.38	40.82	991.11
25 Electronic & Elect Equip(36)	2040.87	+0.6	2029.64	2022.06	2012.68	1963.99	3.57	1.94	18.07	14.72	1016.13
26 Engineering(72)	1965.58	+0.1	1964.31	1958.82	1968.23	1814.57	3.18	1.81	21.74	26.94	1150.18
27 Engineering, Vehicles(13)	2290.92	+0.1	2287.70	2295.06	2285.58	2241.22	4.00	0.54	57.42	47.96	1146.58
28 Paper, Pckg & Printing(27)	2977.33	+0.2	2971.72	2995.96	3021.17	2720.86	3.21	2.29	17.01	41.67	1196.66
29 Textiles & Apparel(21)	1674.77	+0.3	1669.38	1663.81	1668.39	1719.97	4.21	1.60	18.54	38.87	983.00
30 CONSUMER GOODS(93)	3092.54	+0.3	3083.78	3084.51	3092.40	2574.14	4.22	1.78	16.61	67.78	1099.97
31 Breweries(18)	2389.91	-0.2	2395.21	2387.50	2396.63	2155.00	4.15	2.03	14.84	30.69	1103.77
32 Spirits, Wines & Ciders(10)	2745.96	+0.1	2743.23	2743.38	2755.22	2850.04	4.31	1.86	15.59	77.07	955.40
33 Food Producers(24)	2470.70	+0.3	2464.12	2460.90	2463.80	2187.05	4.11	1.97	15.42	55.78	1076.04
34 Household Goods(10)	2596.59	+0.3	2589.00	2597.09	2607.81	3465.54	3.54	0.98	36.10	54.80	951.63
36 Health Care(17)	1748.38	+0.5	1738.86	1742.63	1745.77	1665.16	2.81	0.93	47.99	24.09	1035.77
37 Pharmaceuticals(12)	3826.92	+0.4	3811.25	3817.19	3818.67	2841.70	4.05	1.62	19.03	69.31	1251.40
38 Tobacco(2)	4160.27	+0.6	4136.76	4140.68	4172.79	3372.41	5.45	1.90	12.06	131.29	984.64
40 SERVICES(229)	2033.37	+0.3	2027.99	2024.07	2029.15	1901.50	3.28	2.13	17.92	32.12	1024.72
41 Distributors(32)	2574.81	-0.1	2577.91	2575.33	2580.53	2798.34	3.72	1.99	16.91	46.57	917.85
42 Leisure & Hotels(29)	2325.61	-0.3	2333.21	2329.00	2328.40	2051.11	3.36	1.71	21.76	37.23	1173.71
43 Media(43)	2982.24	+0.2	2977.50	2972.56	2989.52	2917.60	2.64	2.34	20.23	51.41	1057.55
44 Retailers, Food(16)	2027.88	+0.5	2016.92	1989.33	1990.96	1538.03	3.42	2.44	14.95	35.45	1247.00
45 Retailers, General(44)	1666.15	+0.5	1658.21	1660.92	1661.62	1621.51	3.38	2.15	17.22	27.38	922.21
48 Support Services(37)	1626.03	+0.5	1617.21	1604.82	1608.49	1577.76	2.70	2.53	18.27	14.71	1005.77
49 Transport(21)	2268.45	+0.3	2261.62	2279.02	2295.34	2275.98	3.85	1.87	17.42	29.32	907.99
51 Other Services & Business(7)	1248.94	-0.2	1251.18	1254.52	1257.14	1190.89	3.64	1.24	27.63	12.40	1094.90
60 UTILITIES(37)	2374.41	+0.3	2368.01	2369.62	2369.30	2136.04	4.65	1.87	14.36	20.45	941.00
62 Electricity(17)	2252.22	+0.1	2249.71	2249.51	2261.81	2059.37	4.57	2.78	9.84	19.89	963.85
64 Gas Distribution(2)	2000.95	+1.0	1981.63	1975.36	1975.60	1732.52	5.99	0.65	32.01	66.79	972.17
66 Telecommunications(5)	2053.34	.....	2053.67	2051.61	2080.41	1884.68	4.13	1.47	20.62	0.13	891.21
68 Water(13)	1955.07	+0.8	1939.88	1963.21	1964.32	1688.65	5.07	2.73	9.03	16.85	1004.19
69 NON-FINANCIALS(661)	1754.07	+0.2	1749.76	1750.79	1756.50	1607.75	3.94	1.88	16.88	30.11	1275.71
70 FINANCIALS(117)	2403.43	+0.5	2390.76	2388.29	2408.33	2064.62	4.42	2.32	12.18	61.91	987.23
71 Banks, Retail(9)	3207.41	+0.9	3180.15	3184.02	3223.61	2643.51	4.30	2.91	10.01	90.64	997.00
72 Banks, Merchant(6)	3255.90	-0.6	3275.72	3280.91	3286.71	2787.03	3.55	1.90	18.51	56.32	1006.72
73 Insurance(26)	1352.42	+0.4	1347.31	1335.43	1341.12	1185.20	5.25	1.84	12.94	43.40	969.40
74 Life Assurance(6)	2685.65	-0.2	2691.89	2671.93	2688.22	2180.61	5.06	1.36	18.13	91.02	1077.61
77 Other Financial(22)	2025.59	+0.2	2022.15	2023.79	2032.63	1795.75	3.82	2.33	14.04	26.68	1109.88
79 Property(46)	1462.72	+0.4	1457.06	1457.73	1458.02	1527.67	4.16	1.23	24.49	13.91	857.39
80 INVESTMENT TRUSTS(133)	2785.10	.....	2785.44	2781.38	2804.42	2724.91	2.34	1.02	52.23	28.32	951.16
89 FT-SE-A ALL-SHARE(911)	1632.56	+0.3	1627.94	1628.35	1635.32	1484.63	3.96	1.94	16.23	29.90	1322.59
FT-SE-A Fledgling	1008.76	+0.1	1008.41	1007.62	1006.46	-	2.96	1.16	36.40	13.55	1023.80
FT-SE-A Fledgling ex Inv Trusts	1004.35	+0.2	1002.76	1002.05	999.92	-	3.12	1.20	33.47	13.86	1018.78

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3317.6	3315.9	3303.3	3308.9	3308.6	3310.6	3313.0	3308.0	3317.7	3319.4	3301.4
FT-SE Mid 250	3646.1	3645.8	3643.3	3644.8	3646.0	3647.5	3648.9	3649.2	3652.5	3653.8	3642.9
FT-SE-A 350	1649.1	1648.4	1643.3	1644.8	1645.5	1646.5	1647.6	1645.7	1649.8	1650.5	1642.5

Time of FT-SE 100 Day's high: 8.47am Day's low: 10.03am. FT-SE 100 1994 High: 3329.2(25/5) Low: 2954.2 (23/1).

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	990.5	990.5	988.5	989.2	990.1	990.7	990.7	990.7	991.4	991.7	990.5	+1.2
Pharmaceuticls	3781.8	3788.3	3770.5	3772.2	3774.5	3778.8	3786.6	3775.9	3789.7	3791.8	3776.2	+15.7
Water	1939.5	1939.5	1940.7	1951.9	1952.8	1952.9	1952.9	1950.1	1948.6	1950.3	1935.0	+15.3
Banks, Retail	3234.4	3238.2	3223.6	3235.3	3242.2	3243.6	3248.2	3244.4	3248.5	3248.3	3232.7	+27.6

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT. © The Financial Times Limited 1995. All rights reserved. Indices are compiled by The Financial Times Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries. † Sector P/E ratios greater than 80 and net covers greater than 10 are not shown. ‡ Values are negative.

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	445	361	-5
ASDA Group†	6,600	64¼	+½
Abbey National†	3,200	475	-1
Albert Fisher	409	47	
Allied Domecq†	3,600	523	-1
Anglian Water	1,200	535	+5
Argos	714	426	+1
Argyll Group†	4,600	339	+2
Arjo Wiggins†	562	266	+1
Assoc. Brit. Foods†	98	636	-1
Assoc. Brit. Ports	81	285	
BAA†	1,300	484	+3
BAT Inds.†	2,700	482	+3
BET	5,700	131	+4½
BICC	2,300	335	-1
BOC†	660	795	+3

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 index constituent. All trades are recorded.

WORLD STOCK MARKETS

US INDICES

Dow Jones	May 30	May 26	May 25	1995 High	1995 Low	Since compilation High	Since compilation Low
Industrials	4378.68	4369.0	4412.23	4438.16 (24/5)	3832.08 (30/1)	4438.16 (24/5/95)	41.22 (2/7/32)
Home Bonds	100.88	100.91	100.82	100.82 (24/5)	93.63 (3/1)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1627.59	1621.31	1635.74	1686.28 (28/4)	1473.19 (3/1)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	203.86	201.03	201.75	203.86 (30/5)	183.03 (3/1)	623.65 (26/5/85)	10.50 (8/4/32)

DJ Ind. Day's high 4412.92 (4423.64) Low 4394.41 (4338.91) (Theoretical♦)
Day's high 4389.75 (4412.23) Low 4352.40 (4355.85) (Actual♦)

Standard and Poors	May 30	May 26	May 25	1995 High	1995 Low	Since compilation High	Since compilation Low
Composite ‡	523.58	523.65	528.59	528.61 (24/5)	459.11 (3/1)	528.61 (24/5/95)	4.40 (1/6/32)
Industrials♥	621.15	622.50	628.74	629.30 (23/5)	546.28 (3/1)	629.30 (23/5/95)	3.62 (21/6/32)
Financial	50.69	50.46	50.89	51.11 (24/5)	41.41 (2/1)	51.11 (24/5/95)	8.64 (1/10/74)
NYSE Comp.	281.67	281.58	283.93	284.27 (16/5)	250.73 (3/1)	284.27 (16/5/95)	4.46 (25/4/42)
Amex Mkt Val	491.33	490.74	491.63	491.77 (24/5)	433.12 (6/1)	491.77 (24/5/95)	29.31 (9/12/72)
NASDAQ Cmp	858.70	871.87	877.32	879.84 (23/5)	743.58 (3/1)	879.84 (23/5/95)	54.87 (31/10/72)

■ RATIOS

	May 26	May 19	May 12	Year ago
Dow Jones Ind. Div. Yield	2.53	2.54	2.47	2.69
	May 24	May 17	May 10	Year ago
S & P Ind. Div. yield	2.21	2.20	2.21	2.48
S & P Ind. P/E ratio	17.61	18.91	18.77	24.06

■ NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
Micron	6,164,400	41⅞	-4⅛
Compaq	3,899,500	38⅛	-2⅛
Motorola	3,546,500	58⅞	-1¾
IBM	3,144,100	92¾	-2⅝
Pepsico	2,984,400	47¼	+¼
EMC	2,767,900	22⅞	-1¼
Cambrel	2,707,300	23	-¼
Natl Semi	2,488,800	24	-2
Telefonos	2,458,400	28⅛	+⅛
Philip Morris	2,342,200	70¾	+⅝

■ TRADING ACTIVITY

● Volume (million)

	May 30	May 26	May 25
New York SE	282.978	290.697	341.817
Amex	18.238	16.474	19.985
NASDAQ	333.460	391.891	391.891
NYSE			
Issues Traded	2,875	2,857	2,957
Rises	1,224	839	1,0643
Falls	1,029	1,337	1,159
Unchanged	722	781	7445
New Highs	91	73	107
New Lows	27	14	16

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
■ S&P 500							
Jun	523.50	523.10	-0.40	524.75	522.80	74,086	175,421
Sep	528.50	527.55	-0.40	529.20	527.45	7,384	39,009
■ Nikkei 225							
Jun	15730.0	15400.0	-390.0	15740.0	15290.0	34,950	106,585
Sep	15750.0	15480.0	-380.0	15790.0	15340.0	19,716	55,706

Open interest figures for previous day.

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
■ OMX							
May	-	-	-	-	-	-	-
Jun	1249.0	1244.0	+0.5	1258.0	1241.5	5,130	14,335
■ SOFFEX							
Jun	2771.0	2767.0	+8.6	2775.0	2753.0	5,266	18,164
Jul	2775.0	2770.0	+4.1	2775.0	2759.0	57	1,530

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation.
♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

Thailand					
Bangkok SET (30/4/75)	1392.31	1354.91	1382.06	1392.31 31/5	1136.69 16/3
Turkey					
Istanbul Comp.(Jan 1986)	47370.9	47138.9	47324.7	54853.90 21/4	24844.31 23/1
WORLD					
MS Capital Int (1/1/70)$	665.8*	672.1	670.4	680.19 8/5	598.21 23/1
CROSS-BORDER					
Eurotrack 100(26/10/90)	1354.50	1349.01	(c)	1369.43 16/5	1222.41 13/3
Euro Top-100 (26/6/90)	1228.26	1222.07	1215.19	1240.71 16/5	1114.54 10/3
JCapsDrgos (31/12/88)	(u)	335.35	336.06	338.82 25/5	282.07 23/1
Barings Emerg.(7/1/92)	146.83	148.13	148.33	158.07 2/1	117.15 10/3

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1995, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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■ TOKYO - MOST ACTIVE STOCKS: Wednesday, May 31, 1995.

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Fudo Const	6.1m	658	-28	Sumitomo Mtl Ind	2.9m	251	-1
Nippon Steel	5.2m	304	-5	Nippon Express	2.8m	716	-2
Daido Steel Sheet	4.8m	695	+100	Sakura Bank	2.2m	1,101	
Toshiba Corp	3.4m	533		Matsushita El Ind	2.1m	1,310	-10
Sumitomo Const	3.3m	500	-22	NKK Corp	2.0m	213	-8

4 pm close May 31

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

[illegible]

- B -

[illegible]

- C -

[illegible]

- D -

[illegible]

- E -

[illegible]

- F -

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- G -

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NYSE COM

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NYSE COMPOSITE PRICES

4 pm close May 31

Continued from previous page

1995 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close	Prev. Close
42½	34⅛	York Int	0.16	0.4	16	1744	41⅝	41⅜	41½	-¼
4⅜	2⅞	Zapata	0.14	4.1	6	298	3⅜	3⅜	3⅜	
12⅛	6⅞	ZenithEl			13	1828	7⅞	7⅝	7¾	
22¾	19⅝	Zenith Nat	1.00	4.7	11	29	21½	21½	21½	
6⅞	6⅛	Zenix Inc x	0.76	11.2		43	6⅞	6⅝	6¾	
14⅝	12⅝	Zero	0.44	3.2	14	202	14¼	13⅝	13⅞	-⅜
20⅞	16⅞	Zurn Ind	0.88	4.4	25	264	20⅛	19⅞	20⅛	+¼
11¼	10¼	Zweig Fund	1.04	10.0		104	10½	10⅜	10⅜	
8¾	7⅞	Zweig Totl	0.84	9.9		369	8½	8⅜	8½	

Price data supplied by Telerate

Yearly highs and lows for NYSE reflect the period from Jan 1 1995.
Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.
d-new yearly low. P/E price-earnings ratio. cs-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
* Dealings suspended.

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NASDAQ NATIONAL MARKET

4 pm close May 31

AMEX COMPOSITE PRICES

4 pm close May 31

AMERICA

Dow gains as analysts reconsider GDP data

Wall Street

US shares were mostly higher in early afternoon trading after a volatile morning that saw all of the major indices open lower, and then rise as investors took advantage of lower prices, having closely examined new economic data, *writes Lisa Bransten in New York.*

At 1 pm, the Dow Jones Industrial Average was 20.41 higher at 4,399.09, while the more broadly based Standard & Poor's 500 had gained 3.01 at 526.59.

After a drop of more than 7 points at the opening the Nasdaq composite bounced off its lows, and by early afternoon it was up 0.58 at 859.28 after a declined of more than 1.5 per cent on Tuesday. The American Stock Exchange composite was off 0.75 at 490.58. Volume on the New York SE was 189m shares.

Much of the market's weak opening was attributed to the early morning release of revised figures on first quarter gross domestic product. The commerce department put first quarter GDP growth at 2.7 per cent, down from its earlier estimate of 2.8 per cent.

But while the headline figure was lower, some underlying numbers, including an upward revision to the final sales figures and a downward revision to business inventories, showed the economy to be somewhat stronger than many had come to believe. Worries that second quarter earnings might be weak had upset market sentiment since May 18 when the Dow fell by nearly 82 points.

The market also received support from a stronger dollar as central banks from G10 nations intervened in the currency market to boost the currency's value. The bond market, however, was mostly lower on continuing worries about the economy.

Technology shares were mixed with some companies regaining ground which had been lost on Tuesday, and others continuing their slide.

The Pacific stock exchange technology index gained 0.45 per cent after losing 2.8 per cent on Tuesday. Micron Technology was the most actively traded NYSE issue, up $1⅓ at $43¼ after losing $4¼ on Tuesday. Texas Instruments, on the other hand, added another $1¼ to the $5½ it had shed on Tuesday, bringing the shares to $114½ by midsession yesterday.

On the Nasdaq, the two largest companies posted modest increases after Tuesday's declines. Microsoft was $¼ higher at $83¾, and Intel was up $1¼ at $111¾.

Roberts Pharmaceutical shed nearly 15 per cent or $3½ at $20 after the company said that it expected 1995 results to fall short of analysts' expectations.

Canada

Toronto balanced early weakness in consumer products, forestry, golds and conglomerates with gains in the cable and entertainment sector, up 424.42 or 2.4 per cent to 18,087.52 at midsession, in breweries, where Labatt was a feature, and in household goods. The TSE 300 composite index was 4.49 lower at 4,432.30 by 1 pm.

SOUTH AFRICA

Johannesburg was unsettled amid uncertainty over the price for bullion.

The overall index shed 10.7 to 5,471.3, industrials collected 2.9 at 6,907.8 and golds declined 13.6 to 1,387.3.

De Beers receded R1.75 to R93 and Anglos slipped R1 to R195.50. Gold issue Kloof was 60 cents lower at R40.40.

Brazil recovers some ground

São Paulo recaptured part of Tuesday's 5 per cent loss by midsession in what brokers described as a technical rebound, and on hopes that the oil workers' strike would soon be resolved.

The Bovespa index was up 941 points at 38,009 by 1 pm in turnover of R$111.9m ($123.4m), a 10 per cent drop in prices over the last four sessions contributing to the rally.

MEXICO CITY recouped early losses which had been triggered by a 3.99 percentage-point rise in interest rates to 53 per cent, higher than had been expected. By 1 pm the IPC index had gained 10.12 at 1,948.84 as investors awaited a statement from President Ernesto Zedillo in which he was expected to announce a programme to boost the creation of new jobs.

The market has fallen by some 10 per cent in dollar terms over the last five sessions.

BUENOS AIRES told the same story, with the Merval index up 3.72 or 1 per cent at 429.36, following its 1.4 per cent decline on Tuesday.

Of 35 issues traded on the floor, 20 were higher, three were lower and 12 unchanged.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms: May 26 1995	Dollar terms: % Change over week	Dollar terms: % Change on Dec '94	Local currency terms: May 26 1995	Local currency terms: % Change over week	Local currency terms: % Change on Dec '94
Latin America	(255)	474.61	-3.5	-18.2			
Argentina	(30)	724.50	-3.5	-1.3	444,303.82	-3.5	-1.4
Brazil	(72)	324.26	-2.9	-15.6	1,088.97	-2.0	-10.6
Chile	(36)	885.17	-0.2	+12.9	1,331.06	+0.1	+5.6
Colombia[1]	(16)	701.22	-2.3	-13.6	1,084.22	-2.3	-9.3
Mexico	(69)	412.69	-5.8	-32.1	1,093.50	-2.0	-15.3
Peru[2]	(20)	192.55	-0.5	+8.0	264.15	-0.6	+11.1
Venezuela[3]	(12)	402.04	+1.2	-18.8	1,569.22	+1.2	-18.8
Asia	(657)	255.02	+3.2	+2.2			
China[4]	(20)	72.22	+3.6	-4.8	75.81	+3.7	-6.4
South Korea[5]	(159)	122.91	-3.1	-10.1	122.86	-3.1	-23.3
Philippines	(25)	287.41	+2.3	-3.6	359.47	+2.5	+2.3
Taiwan, China[6]	(93)	128.01	-3.6	-22.1	122.91	-3.9	-24.3
India[7]	(101)	98.04	-2.2	-20.6	109.33	-2.2	-20.6
Indonesia[8]	(42)	103.68	+3.2	+3.9	125.50	+3.2	+5.4
Malaysia	(114)	300.66	+4.6	+11.8	273.04	+4.7	+7.6
Pakistan[9]	(36)	283.13	+9.4	-22.7	397.79	+9.6	-22.2
Sri Lanka[10]	(19)	114.37	-0.9	-33.5	122.71	-1.1	-33.8
Thailand	(68)	419.30	+4.2	+9.3	409.80	+3.6	+7.2
Euro/Mid East	(211)	136.19	+0.6	+14.9			
Greece	(40)	259.95	+1.2	+15.2	395.64	-2.1	+7.6
Hungary[11]	(5)	131.56	+1.3	-13.3	190.72	-0.9	-7.7
Jordan	(8)	183.51	+0.5	+22.3	270.53	+0.5	+21.7
Poland[12]	(16)	459.72	-2.5	-2.1	671.27	-6.1	-6.8
Portugal	(29)	128.12	+3.0	+5.8	128.16	-0.9	-3.3
South Africa[13]	(64)	230.66	+0.5	+2.6	174.70	-0.1	-7.6
Turkey[14]	(44)	152.72	-0.0	+25.4	3,083.80	-2.5	+39.4
Zimbabwe[15]	(5)	245.48	+2.8	+0.3	306.73	+2.5	+1.8
Composite	(1123)	282.84	+0.4	-8.0			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date, Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Dec 31 1992; (14)Aug 4 1989; (15)June 2 1993.

The Brazilian oil workers' strike has been having a significant effect on equity performance over the past few days, writes John Pitt. Although the market has done well over the past month, it still remains down 9 per cent in dollar terms on the year to date, still a good performance given the substantial cracks that appeared following the Mexican currency crisis.

The oil strike – which looked as though it was approaching a resolution last night – has posed a threat to the government's plans to keep inflationary pressures in check, its reason for not acceding to the workers' demands for higher wages.

JP Morgan says that the economic stabilisation plan is approaching a critical phase. "With private sector wage pressures already building as a result of the tight labour market," the US broker notes, "the government does not want to give the wrong signal, or encourage cost-push inflation by allowing excessive public sector wage increases."

On the region, Kleinwort Benson believes that Latin American stock multiples are now at reasonable levels, and forecasts that prices should now move in line with earnings, which might grow by an average of 22 per cent in real terms in 1995, and by 25 per cent in 1996. Kleinwort says: "The excitement is over for now, and it is time to move from the macro outlook to basics – where are the good values in these markets?"

Turning to Turkey, Merrill Lynch believes that the country and the market is "back on its feet". While the equity market peaked at the end of April, "the stock exchange could sustain its strength should the political arena stabilise, the customs union agreement with the EU be signed by the end of the year and the privatisation programme accelerate".

EUROPE

Late closing bourses follow Wall Street

Bourses waited for a Wall Street reaction to yesterday's concerted dollar intervention and performed accordingly, *writes Our Markets Staff.* Thus the early closing Helsinki was down, Zurich relatively flat, and the late-closing Frankfurt and Paris more enthusiastic, in line with the Dow's delayed reaction to the dollar news.

FRANKFURT tilted up at the end of a dull afternoon, the Ibis-indicated Dax just breaching 2,100 before ending 18.49 ahead at 2,099.95. Turnover rose from DM5.9bn to DM6.4bn.

Measured on the session close, 2,092.17, the German equity market rose 3.8 per cent on the month compared with a 0.7 per cent decline for January/May, noted Mr Eckhard Frahm of Merck Finck in Düsseldorf. May, he said, was marked by a reduction in economic growth targets, a further fall in bond yields, a gradual recovery in the US dollar and, recently, the thought that the Bundesbank could cut the Lombard rate at its fortnightly meeting today.

This delivered a switch in the equity market where safe haven and interest rate-sensitive stocks such as Viag, RWE, Siemens and Allianz were the top four performers in the first five months of 1995, with gains between 11.2 and 2.8 per cent. In May alone, the top six were all cyclicals, benefiting from the improved dollar and its effect on export margins: some, like Mannesmann and MAN, also offered good corporate news as they gained 10.1 and 9.5 per cent respectively on the month.

The best performer, noted Mr Frahm, was still outside the Dax. SAP, the computer software group, rose another DM30 to a new 1995 high of DM1,770 yesterday, up 23.8 per cent on the month, and 77 per cent from its 1995 low.

PARIS, additionally, was helped by a rise in the franc against the D-Mark. The CAC-40 index climbed 20.65 to 1,947.95 in turnover estimated at FFr5.8bn. The expiration of futures and options contracts swelled activity.

Alcatel Alsthom improved on Tuesday's 3.8 per cent gain, rising FFr13.10 to FFr451.80 as it was confirmed that Mr Serge Tchuruk of Total was to take up the chairmanship.

The oil company's shares tracked the market and were helped by a pick-up in the dollar, moving ahead FFr8.10 to FFr307.60. The group said at its annual meeting that Mr Tchuruk would be replaced by his current deputy, Mr Thierry Desmarest.

In the same sector, Elf-Aquitaine put on FFr13 at FFr401, although the shareholders' meeting was disrupted and temporarily adjourned following a demonstration by union members who were protesting at a restructuring programme.

There was a contrast in first-half forecasts from each company, Total saying that it would endeavour to maintain earnings at the 1994 level, and Elf that it expected to see a higher figure over the same period.

Eurotunnel, in contrast, fell 80 centimes or 5 per cent to FFr14.10 in reaction to a disappointing shareholders' meeting in London, as new worries surfaced regarding the amount of passenger traffic forecast for the crucial summer period. The group reaffirmed, however, that there would be no rights issue to solve its debt problem.

Euro Disney, which often tracks the performance of the other "Euro stock", was also weak, finishing 30 centimes down at FFr16.35.

ZURICH liked the lower than expected US GDP data, and the rise in the dollar on yesterday's intervention, but its rally ran out of steam and the SMI index closed a moderate 6.2 up at 2,785.6.

Zurich Insurance rose by SFr14 to SFr1,364 after it forecast continued profits growth. Surveillance, however, took the high ground with a gain of SFr70 at SFr2,100.

AMSTERDAM, dollar oriented, saw the AEX index up 2.99 at 431.52 as the market woke up in the afternoon.

International stocks particularly liked the dollar theme, Royal Dutch rising Fl 2.50 to Fl 197.80, Unilever by Fl 1.90 to Fl 199, and insurer Aegon by Fl 2 to Fl 127.60 after saying that it was likely to raise its offer for the Norwegian insurer Vital.

MILAN was encouraged by the currency markets, which gave equities a boost. The Mibtel index moved up 35 to 10,120, while the Comit index closed 5.65 firmer at 634.83.

Actinvest, a Milan investment house, said this week that it was increasing its equity weighting in the market to 100 per cent, based on political and economic reasoning. The recent raising of the discount rate by the Bank of Italy was a strong signal, said Actinvest, that keeping inflation under control "was now obligatory in order to carry out restructuring of the public finances".

There was renewed takeover talk, centred on Banco Ambroveneto, which rose L190 to L5,750, while Generali, the insurer, traded up L300 to L39,800.

Fiat put on L60 at L6,504 and Pirelli L8 at L2,349 but Olivetti slipped L8 to L1,631.

STOCKHOLM and **HELSINKI** were unsettled by the after effects of Tuesday's fall in high-tech shares in New York.

Ericsson B slipped SKr24 or more than 4 per cent to SKr525 and the Affärsvärlden General index, ending only 2.6 lower at 1,580.7, was rescued by rate-sensitive banks and insurance shares.

Finland's Nokia A retreated FM4 to FM201 and the Hex index fell 25.3 to 1,841.4, waiting for a US lead today.

FT-SE Actuaries Share Indices

May 31 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1354.39	1353.51	1353.60	1353.05	1352.59	1360.81	1356.25	1354.50
FT-SE Eurotrack 200	1441.38	1441.24	1441.56	1440.01	1440.34	1447.37	1442.82	1442.07

	May 30	May 26	May 25	May 24	May 23
FT-SE Eurotrack 100	1348.01	1341.87	1358.70	1363.20	1352.59
FT-SE Eurotrack 200	1438.49	1434.98	1453.70	1461.93	1446.91

Base 1000 (26/10/90); High/day: 100 - 1365.84; 200 - 1452.57 Low/day: 100 - 1350.34 200 - 1427.32 † Partial

Written and edited by William Cochrane and John Pitt

ASIA PACIFIC

Nikkei threatens 1995 low as region revives

Tokyo

Growing pessimism over the economy left the Nikkei 225 average down 2.1 per cent after a brief fall through the year's closing low of 15,381.29, *writes Emiko Terazono in Tokyo.*

The index ended 326.18 down at 15,436.79 after a day's high of 15,745.94 and low of 15,292.43, volume rising from 179m shares to 247m. Share prices reacted to weak economic figures released on Tuesday, and the decline in long-term interest rates heightened the pessimism over the prospects of an economic rebound, and a corporate earnings recovery.

The Topix index of all first section stocks fell 12.12 or 1 per cent to 1,254.11 and the Nikkei 300 slid 2.31 to 233.86. Losers led gainers by 748 to 223, with 144 issues unchanged. But in London the ISE/Nikkei 50 index put on 2.82 at 1,037.69.

The decision by Mr Yukio Aoshima, the governor of Tokyo, to cancel the controversial Y200bn "World City Exposition" scheduled for next year also weighed on investor confidence as some market participants feared the negative impact on earnings of companies planning to participate.

The lack of buyers worried market participants, with some Japanese brokers predicting an index fall below 15,000 for the first time since August 1992. "The market looks sick as a parrot," said Mr Tom Hill, strategist at S.G. Warburg.

Institutional investors sold steels and the sector lost 2.5 per cent. Nippon Steel fell Y5 to Y304 and NKK declined Y6 to Y213. However, Daido Steel Sheet rose by its daily limit of Y100 to Y695 on speculative buying. Both the Tokyo and Osaka stock exchanges issued warnings on the stock, while Japan Securities Finance placed restrictions on lending for the stock.

Worries over trade sanctions by the US hit car makers. Reports that a letter was sent to the US government by the Ministry of International Trade and Industry, in order to break the deadlock over trade, failed to quell worries over the negotiations. Toyota Motor dipped Y20 to Y1,640 and Mazda Motor shed Y5 to Y304.

High-technology issues were also lower, with Hitachi down Y12 to Y817 and Fujitsu losing Y11 at Y810.

Some retailers were among the day's few gainers. Seven-Eleven moved ahead Y110 to Y6,250 and Takashimaya advanced Y20 to Y1,150.

In Osaka, the OSE average fell 255.49 to 16,738.20 in volume of 9.5m shares.

Roundup

There was talk of US and Japanese money looking for new equity homes as the region moved largely on to the upgrade. Kuala Lumpur and Jakarta were closed for public holidays.

BANGKOK brokers said that foreign money was chasing Thai financials as the SET index finished 37.40 or 2.8 per cent higher at a new peak of 1,392.31 for 1995 on late buying of blue chips.

The finance sector led the sharp rise at the close, jumping 4.1 per cent in turnover of Bt4.3bn. However, there was action elsewhere, Electricity Generating climbing Bt4.50 to Bt77.50 on news that the government would sell a southern Thai power plant to the company, and Siam Cement appreciating Bt60 to Bt1,468 on a sharp increase in profits.

HONG KONG, too, majored on banks, Hang Seng and HSBC touching highs for the year in intraday trading before closing HK$2.25 up at HK$60 and HK$1.50 stronger at HK$100.50 respectively.

The Hang Seng index ended 162.08 or 1.75 per cent higher at 9,407.38 and market turnover more than doubled, climbing to HK$4.62bn from the previous day's HK$2.21bn.

Brokers said that the brighter outlook for US interest rates had sent investors back to the local market in search of interest rate-sensitive counters.

BOMBAY was led forward by Tata Engineering and Locomotive (Telco), which reported trebled net profits and rose Rs46 or 8.8 per cent to Rs567. The BSE 30-share index ended 75.17 or 2.3 per cent higher at 3,351.48 as the Telco performance galvanised activity in blue chip shares.

SINGAPORE reported talk of Japanese and US clients purchasing index stocks as the Straits Times Industrial index rose 11.57 to 2,174.05. But second liners were not so fortunate, and turnover was thin at S$245.4m. **TAIPEI** registered its third straight rebound after recent sharp falls, with financials again in the lead as the weighted index advanced 27.48 to 5,674.55.

KARACHI declined again, but resisted the sharp falls seen on Tuesday. The KSE 100 index slipped 7.89 to 1,513.13.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by The Financial Times Ltd., Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by The Financial Times and Goldman Sachs in conjunction with the Institute of Actuaries and the Faculty of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY MAY 30 1995: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY MAY 29 1995: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 52 week High	52 week Low	Year ago (approx)
Australia (83)	167.67	0.8	156.34	87.98	121.16	154.67	0.4	4.04	166.41	154.39	87.29	120.13	154.09	180.82	157.95	175.50
Austria (26)	197.01	1.0	182.52	103.38	142.36	142.16	1.1	1.25	195.05	180.97	102.32	140.81	140.61	198.89	167.46	175.24
Belgium (35)	197.05	0.4	182.56	103.40	142.38	138.54	0.3	3.78	196.27	182.10	102.96	141.69	138.13	201.12	161.66	171.56
Brazil (28)	134.72	-4.0	124.81	70.69	97.34	224.29	-4.0	1.49	140.30	130.17	73.60	101.29	233.59	-	-	-
Canada (102)	141.08	-0.1	130.71	74.03	101.94	140.10	0.2	2.53	141.16	130.97	74.04	101.90	139.83	141.54	120.54	130.72
Denmark (33)	284.74	0.0	263.80	149.42	205.75	210.35	0.0	1.51	284.69	264.14	149.34	205.52	210.28	287.44	236.61	251.10
Finland (24)	213.36	0.4	197.67	111.96	154.17	191.85	0.7	1.62	212.48	197.14	111.46	153.39	190.51	214.68	133.88	147.65
France (101)	185.58	-0.1	171.93	97.38	134.10	142.73	-0.1	3.09	185.84	172.43	97.49	134.16	142.82	191.17	157.79	169.86
Germany (59)	155.99	0.8	144.52	81.86	112.72	112.72	0.9	2.10	154.77	143.60	81.19	111.73	111.73	156.35	132.08	136.99
Hong Kong (55)	362.65	-0.8	335.99	190.30	262.05	360.16	-0.8	3.78	365.55	339.16	191.75	263.90	362.98	416.42	277.40	389.31
Ireland (16)	228.66	0.8	211.85	119.99	165.23	196.44	0.4	3.64	226.96	210.57	119.05	163.85	195.59	229.27	190.67	183.31
Italy (58)	76.14	2.7	70.55	39.96	55.02	92.64	1.5	1.75	74.11	68.76	38.88	53.50	91.30	89.22	65.45	87.35
Japan (483)	154.33	0.5	142.99	80.99	111.52	80.99	0.5	0.93	153.57	142.49	80.56	110.87	80.56	170.10	136.95	161.14
Malaysia (97)	540.02	0.4	500.32	283.38	390.23	512.88	0.6	1.57	537.72	498.91	282.07	388.20	509.81	594.76	398.16	469.63
Mexico (18)	932.15	-1.8	863.60	489.14	673.56	6298.43	-1.5	2.13	948.78	880.28	497.69	684.94	6395.24	2414.12	647.81	2137.51
Netherland (19)	249.69	0.4	231.33	131.02	180.43	177.20	0.4	3.56	248.63	230.68	130.42	179.49	176.44	252.34	194.56	198.81
New Zealand (14)	81.63	0.0	75.63	42.83	58.98	64.93	-0.1	4.60	81.65	75.76	42.83	58.95	64.99	84.31	64.00	68.94
Norway (33)	224.46	0.2	207.96	117.79	162.20	188.80	0.3	2.24	224.01	207.83	117.50	161.71	188.22	230.07	177.53	198.47
Singapore (44)	399.60	0.6	370.22	209.69	288.76	256.06	0.7	1.68	397.09	368.42	208.30	286.67	254.32	405.98	313.94	350.95
South Africa (61)	343.98	-0.6	318.69	180.50	248.56	275.27	-0.3	2.51	345.95	320.97	181.47	249.75	276.17	363.22	261.43	263.05
Spain (38)	147.12	-0.1	136.30	77.20	106.31	135.23	0.4	4.16	147.26	136.63	77.25	106.31	134.74	151.79	124.10	146.69
Sweden (46)	259.75	0.8	240.66	136.31	187.70	279.56	0.8	2.14	257.65	239.05	135.16	186.01	277.34	261.74	196.70	224.48
Switzerland (46)	198.86	0.5	184.24	104.35	143.70	141.23	0.5	1.82	197.96	183.67	103.84	142.91	140.51	198.86	155.05	160.02
Thailand (46)	166.52	-1.0	154.27	87.38	120.33	158.96	-1.0	2.75	168.16	156.02	88.21	121.40	160.52	-	-	-
United Kingdom (203)	214.84	0.1	199.04	112.74	155.25	199.04	0.0	4.19	214.53	199.08	112.56	154.91	199.08	216.25	181.11	183.32
USA (537)	214.29	0.0	198.53	112.45	154.84	214.29	0.0	2.69	214.27	198.80	112.40	154.68	214.27	216.25	180.55	186.54
Americas (659)	196.45	-0.1	182.01	103.09	141.96	184.77	0.0	2.66	196.56	182.36	103.10	141.90	184.83			
Europe (739)	188.62	0.4	174.75	98.98	136.29	157.39	0.3	3.16	187.67	174.30	98.55	135.67	156.87	188.88	160.59	164.83
Nordic (113)	232.09	0.5	233.55	132.26	182.15	223.36	0.6	1.95	230.75	222.65	130.73	180.17	222.39	252.92	197.10	211.92
Pacific Basin (822)	163.73	0.4	151.70	85.92	118.32	92.24	0.4	1.20	163.04	151.27	85.53	117.71	91.83	176.86	145.93	169.82
Euro-Pacific (1561)	174.00	0.4	161.21	91.31	125.73	116.63	0.4	2.14	173.29	160.77	90.90	125.10	116.17	176.33	154.73	167.47
North America (605)	209.75	0.0	194.33	110.07	151.56	209.25	0.0	2.68	209.74	194.64	110.02	151.41	209.21	211.85	176.93	183.08
Europe Ex. UK (536)	170.14	0.6	157.63	89.28	122.94	133.87	0.5	2.59	169.20	156.99	88.76	122.15	133.17	171.03	144.12	150.83
Pacific Ex. Japan (339)	256.01	0.1	236.26	133.82	184.27	224.63	0.0	3.16	254.86	236.46	133.69	183.99	224.53	273.13	211.19	253.04
World Ex. US (1770)	174.47	0.3	161.64	91.55	126.07	120.14	0.3	2.15	173.88	161.32	91.21	125.52	119.74	178.73	155.42	168.52
World Ex. UK (2074)	183.63	0.2	170.12	96.36	132.69	132.61	0.2	2.15	183.21	169.98	96.10	132.28	132.28	187.37	163.46	172.56
World Ex. Japan (1794)	205.13	0.1	190.04	107.64	148.22	190.43	0.1	2.88	204.89	190.10	107.48	147.92	190.25	205.30	178.74	182.23
The World Index (2277)	186.36	0.2	172.66	97.79	134.66	147.48	0.2	2.35	185.95	172.53	97.54	134.24	147.16	189.27	165.92	173.56

Latest prices were unavailable for this edition.